

The Postal Service in the 21st Century: A Recent History

RISC REPORT

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Table of Contents

Cover

Executive Summary1

2000s: Peak Mail Volume and
Legislative Reform1

2010s: Continued Financial Pressures
and Optimization Efforts1

2020s: Delivering Through Natural
Calamities and Legislative Reform2

Observations 3

Introduction 3

The Postal Service in the 2000s: A Decade
of Change 3

Making Strides to Secure the Mail 3

Swings in Mail Volume and
Stakeholder Action 4

Optimizing and Standardizing the
Retail Network 6

Changing and Updating the
Processing Network 7

Using Technology to Improve the
Customer Experience 9

The Postal Service in the 2010s: A Decade
of Austerity 10

Attempts at Reform to Improve
Postal Service's Financial Condition 11

Adjusting Retail Hours and
Retail Offices 13

Consolidating and Updating the
Processing Network 14

Optimizing, Adjusting, and
Innovating Deliveries 16

Insourcing Customer Care Centers
and Utilizing Data 17

The Postal Service in the 2020s: Proving
its Value Proposition 18

Rising Ecommerce During the
COVID-19 Pandemic 18

New Leadership, A Strategic Plan,
and Postal Reform 19

Operational and Network Changes 20

COVID-19 and the Postal Service 21

Social Unrest and Crime 22

Earning the Admiration of the
American People 22

Conclusion 23

Summary of Management Comments 23

Appendices 24

Appendix A: Additional Information 25

Objective(s), Scope, and
Methodology 25

Prior Coverage 26

Appendix B: Management's Comments 27

Contact Information 28

Executive Summary

The Postal Service has weathered enormous changes since the turn of the new millennium. Despite financial challenges and declining mail volume, USPS remains a foundational institution that continues to deliver for the nation. The U.S. Postal Service Office of Inspector General (OIG) sought to provide a high-level overview of USPS's operational environment since 2000. We identified major postal trends over the past 22 years and contextualized those trends against the broader social, economic, and legislative environment within which they existed.

2000s: Peak Mail Volume and Legislative Reform

At the beginning of the new millennium, major events such as the 9/11 terrorist attack and anthrax attacks in the mail shook the security of our nation. Nevertheless, the Postal Service continued to deliver for the country, providing a sense of normalcy and familiarity in the middle of tremendous changes. Despite a business and consumer pivot away from mail and towards the internet for transactions and information, total mail volume actually increased from 207.9 billion mail pieces to 211.7 billion mail pieces between fiscal years (FYs) 2000 and 2005; it peaked in FY 2006 at 213 billion pieces.

Congress passed the Postal Accountability and Enhancement Act (PAEA) in 2006. PAEA transformed USPS's rate-setting process, implemented a price-cap on market-dominant products, and required prefunding of USPS's future retiree health benefits. USPS only made prefunding payments to the Retiree Health Benefit Fund (RHBF) between FYs 2007 through 2010; the Postal Service deferred or defaulted on every subsequent remaining payment.

Mail volume peaked in 2006 and fell precipitously following the collapse of the housing market and its spillover into the broader economy, as mail included business-related bills, statements, and advertisements. By 2009, annual mail volume had declined by more than 25 billion pieces compared to the previous year — the largest annual drop in USPS history. At the same time, the number of USPS delivery points increased by an average of 1.7 million a year between 2000 and 2009, further contributing to a rise in USPS's costs. These factors, when combined with the prefunding payments and the price cap, were devastating for USPS's finances and quickly proved unsustainable.

2010s: Continued Financial Pressures and Optimization Efforts

Financial pressures since the implementation of PAEA continued in the 2010s as total expenses outstripped total revenue during every year of the decade. To reduce costs, the Postal Service proposed legislative action to repeal portions of PAEA and adjust delivery days from six days a week to five days a week, but legislative reform did not pass. The Postal Service also undertook several initiatives to optimize and consolidate its retail, processing, and delivery networks to minimize expenses. This included successful negotiations with unions to hire flexible, non-career employees to replace a portion of retiring employees. However, other efforts at optimization precipitated strong stakeholder resistance and failed to produce their estimated savings.

Throughout the 2010s, the Board of Governors dwindled in size until there were zero presidentially appointed governors at the end of 2016. In the middle of the decade, the Postal Regulatory Commission (PRC) granted a temporary exigent price increase to compensate for lost volume due to the Great Recession. By 2015, the Postal Service's improved cash balance, driven by defaulting on prefunding obligations and the temporary exigent price increase, allowed it to increase capital investments for the first time in years. The Postal Service utilized these funds to begin replacing its aging delivery fleet — starting a prolonged process that would not result in a signed contract until 2021. President Trump established a Task Force on USPS in 2018 which evaluated the operations and finances of the Postal Service.

The Postal Service made some advances in leveraging technology and automation in the 2010s, despite its financial challenges. The earlier implementation of the Intelligent Mail barcode paved the way for near-real time end-to-end visibility into the mailstream for mailers (Informed Visibility) and residential customers (Informed Delivery). Faster, automated machines — and even robots — were introduced to processing facilities, and AI voice-activated chatbots were incorporated into Customer Care Center phone calls. The Postal Service also worked to adapt its network to a changing economy by agreeing in October 2013 to deliver a large

customer's Sunday packages to meet the rising demands of ecommerce.

2020s: Delivering Through Natural Calamities and Legislative Reform

Although we are still early in this decade, much has happened. A recurring theme in recent postal history has been the Postal Service's resilience in the face of calamity. Never was this more evident than when the world faced COVID-19, and the Postal Service continued to connect the country and support the functioning of its democracy. It delivered COVID-19 test kits, election ballots, and an increasing number of packages to assist America through this crisis.

At the beginning of the decade, the Postal Service released a 10-year strategic plan to achieve break-even operating performance through revenue and cost saving opportunities totaling \$160 billion. It also worked with legislators to pass the most significant postal reform bill since 2006: the Postal Service Reform Act of 2022 (PSRA). Signed into law in April 2022, the PSRA repealed the requirement to prepay retiree health benefits and removed the Postal Service's responsibility for past due payments, resulting in a one-time noncash benefit of \$57 billion in net income.

Customer appreciation for the Postal Service remained high as the agency proved its value proposition to the nation. It is an essential agency performing the quiet but critical work of binding the nation together through emergencies, disasters, and ordinary days. The Postal Service is also facing new challenges including ambitious plans for a network redesign, a competitive hiring environment, and increased crime against carriers. However, with the passage of new postal reform and a new strategic 10-year plan to chart its course, the Postal Service plans to make critical changes that will enable continued delivery for the country as it has done for centuries.

Observations

Introduction

Almost two and a half centuries ago, the Post Office – the institution that preceded the current United States Postal Service – was established at the Second Continental Congress. Since its inception, the Postal Service has persevered in its duties to deliver mail and bind the nation. Over the past few decades, however, the Postal Service has faced tremendous challenges to its financial viability and implemented a variety of changes to its postal operations. The U.S. Postal Service Office of Inspector General (OIG) sought to provide a high-level overview of the Postal Service’s operational environment over that 22-year period. We identified major postal trends since 2000 and contextualized those trends against the broader social, economic, and legislative environment within which they existed. See [Appendix A](#) for more information on the project’s scope, objectives, and methodology.

The Postal Service in the 2000s: A Decade of Change

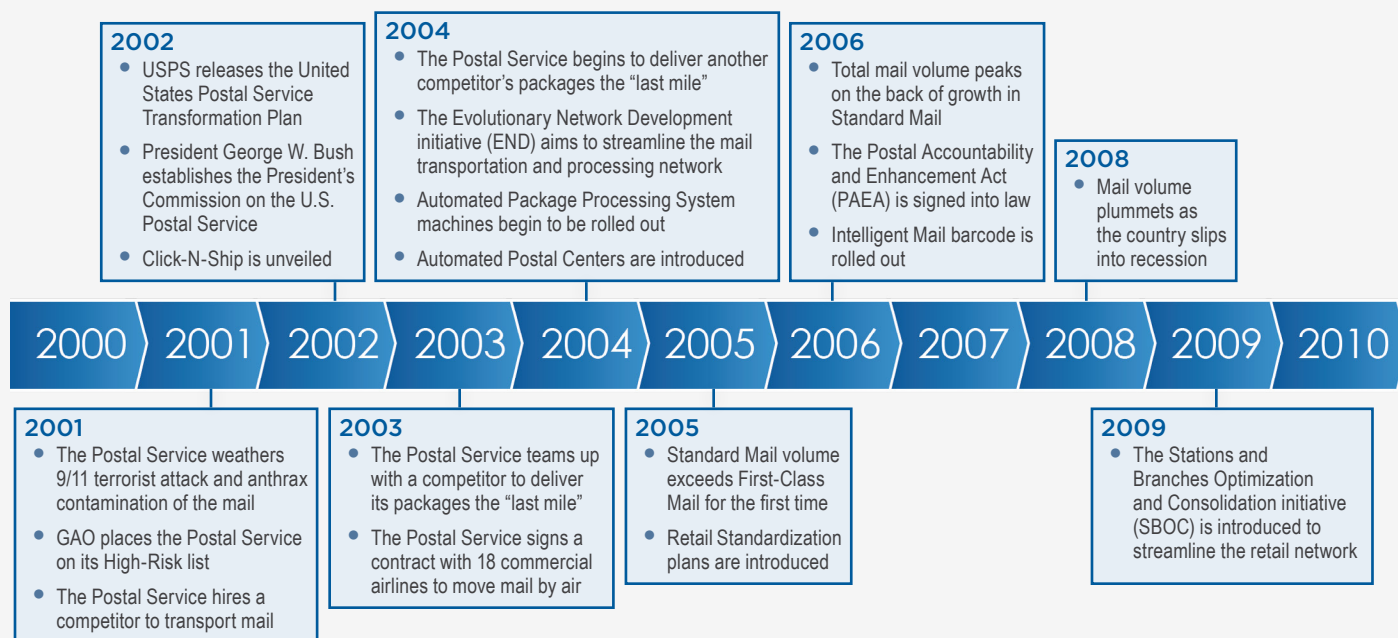
The 2000s was a decade of significant tumult. An attack on September 11, 2001, killed nearly 3,000 people and shook America’s sense of

security. The following month, letters containing anthrax were mailed to journalists and members of Congress, resulting in five deaths – including the deaths of two Postal Service employees. While an economic contraction following the dot-com collapse in 2001 was mild, a recession beginning in 2007 amounted to the worst economic downturn since the Great Depression. Caused in part by a collapse of the housing market, the 2007 recession saw unemployment rise to 10 percent as the stock market plummeted and home prices fell 33 percent. In the end, the American people lost \$9.8 trillion in wealth. Additionally, the 2000s were characterized by enormous technological advances that re-shaped how the American people worked and communicated: the percentage of adults using the internet increased by 24 percentage points between 2000 and 2009.

Making Strides to Secure the Mail

The early years of the 21st century were turbulent ones for the country, and the Postal Service was not immune. In October 2001, anthrax was mailed to journalists and members of Congress a month after the September 11 terrorist attacks. The attack infected 22 people and killed five – including

Figure 1: Postal Timeline of Events in the 2000s



two Postal Service employees.¹ After anthrax was discovered, the Postal Service suspended mail delivery to federal agencies in Washington, D.C. as it searched for a response. In the meantime, it stored all D.C.-bound federal mail.

In November 2001, the Postal Service hired contractors to irradiate the mail, a procedure that would kill anthrax if it were present. Stored mail was treated and delivered, in some instances up to three months later, as was new mail destined for Capitol Hill, the White House, and federal agencies in the Washington, D.C. area. By mid-2008, well over one million containers of mail had been irradiated. The Postal Service provided gloves, facemasks, and the antibiotic Cipro to employees, and worked closely with union leaders to reassure workers.²

Following the anthrax attack, the Postal Service developed an emergency preparedness plan to protect its employees and the American people from biohazards sent through the mail. Early-warning biohazard detection systems were installed in 50 mail processing facilities and ventilation systems were improved — investments facilitated by a \$503 million appropriation from Congress. The Postal Service also sent a postcard to every address in America with information on identifying and dealing with suspicious mail.³

Swings in Mail Volume and Stakeholder Action

While total mail volume declined at the beginning of the 2000s, it began to rise around the middle of the decade and registered an all-time high in 2006. Following the onset of the Great Recession in 2007, mail volume declined at a record pace. Meanwhile, transformation plans, a presidential commission, and new legislation aimed to preserve the Postal Service's financial health.

Initial Decline in Mail Volume and a Presidential Commission

Societal challenges at the beginning of the 21st century hurt mail volume. Following the 9/11 terrorist attacks, standard mail volume fell as some non-profit organizations pulled back fundraising efforts unless it raised money for victims.

The anthrax attacks in October 2001 sowed fear about the security of the mail; consumers cancelled magazine subscriptions and mailers delayed or cancelled planned mailings. These events, combined with an economic downturn that further depressed advertising following the collapse of the dot-com bubble, contributed to a drop in mail volume from 2001 through 2003. It marked the first consecutive-year decline since the Great Depression.

Volume growth was forecast to slow in the years ahead. In April 2001, citing a “deteriorating financial situation [that] calls for prompt, aggressive action,” the Government Accountability Office (GAO) added the Postal Service to its High-Risk list. The oversight agency called on USPS to develop a comprehensive plan to restore its health, and Congress endorsed the recommendation. One year later, the Postal Service released the United States Postal Service Transformation Plan, outlining strategies for cutting costs, improving the customer experience, and strengthening the workforce. In its review of the Transformation Plan, the OIG called it, “a good starting point on building a viable Postal Service system for the twenty-first century” while making recommendations on how to implement the plan.⁴

Later that year, in December 2002, President George W. Bush established the nine-member, bipartisan President's Commission on the U.S. Postal Service in order to “ensure the efficient operation of the United States Postal Service while minimizing the financial exposure of the American taxpayers.” The Commission recommended the Postal Service remain a public institution and retain its mail monopoly but proposed a new business model for the agency to address its financial viability (see [Figure 2](#) for an overview of the Postal Service's total revenue and expenses over the past 22 years). It called on the agency to focus on providing universal mail service and to limit business activities that fell outside of its obligation to process, transport, and deliver mail and parcels. The Commission also urged the Postal Service to cut costs by rationalizing its retail and processing network; optimizing its workforce; making prudent investments in technology;

1 The deceased Postal Service employees were Thomas L. Morris, Jr. and Joseph P. Curseen, Jr., who worked at the Brentwood Processing and Distribution Center in Washington, D.C. The facility was later renamed in their honor.

2 Union leaders praised postal leadership for their actions. George Gould, then-legislative director of NALC, stated, “If they hadn't shown that kind of leadership, it would've been a disaster. They went around the country together and talked to groups of letter carriers and other postal employees and just let them know that they had a plan and they were going to work together and not let it happen again.” See Devin Leonard, *Neither Snow nor Rain: A History of the United States Postal Service*, (New York: Grove Press: 2016).

3 In a review of the Postal Service's response to the anthrax contamination, GAO noted that postal managers, public health officials, and union representatives agreed that the agency prioritized employees' health.

4 The Postal Service updated its Transformation Plan in 2005, and again in 2007. Quote taken from U.S. Postal Service Office of the Inspector General, “Management Advisory – Postal Service Transformation Plan,” Report Number OE-MA-03-001, October 29, 2002, <https://www.uspsog.gov/sites/default/files/document-library-files/2015/OE-MA-03-001.pdf>

and exploring opportunities to partner with the private sector, including additional work-sharing opportunities.

Volume Growth in the Middle of the 2000s

By 2005, an increase in credit card marketing, a strong economy, and the November 2004 election helped mail volume recover. Standard Mail volume – now called Marketing Mail – grew steadily in the middle of the decade; it exceeded First-Class Mail (FCM) volume for the first time in 2005.⁵ The growth in Standard Mail in the middle of the decade was attributed to a robust economy and a strong advertising market, along with fewer opportunities for advertisers to reach consumers by phone following the 2003 introduction of the “Do Not Call” registry. Ultimately, total mail volume peaked in 2006, and the Postal Service’s revenue exceeded its expenses in four consecutive years – from 2003 through 2006. The agency attributed its financial health to productivity gains, rate increases, growing mail volume, and a substantial reduction in the payments it was required to make to the Civil Service Retirement System. In the

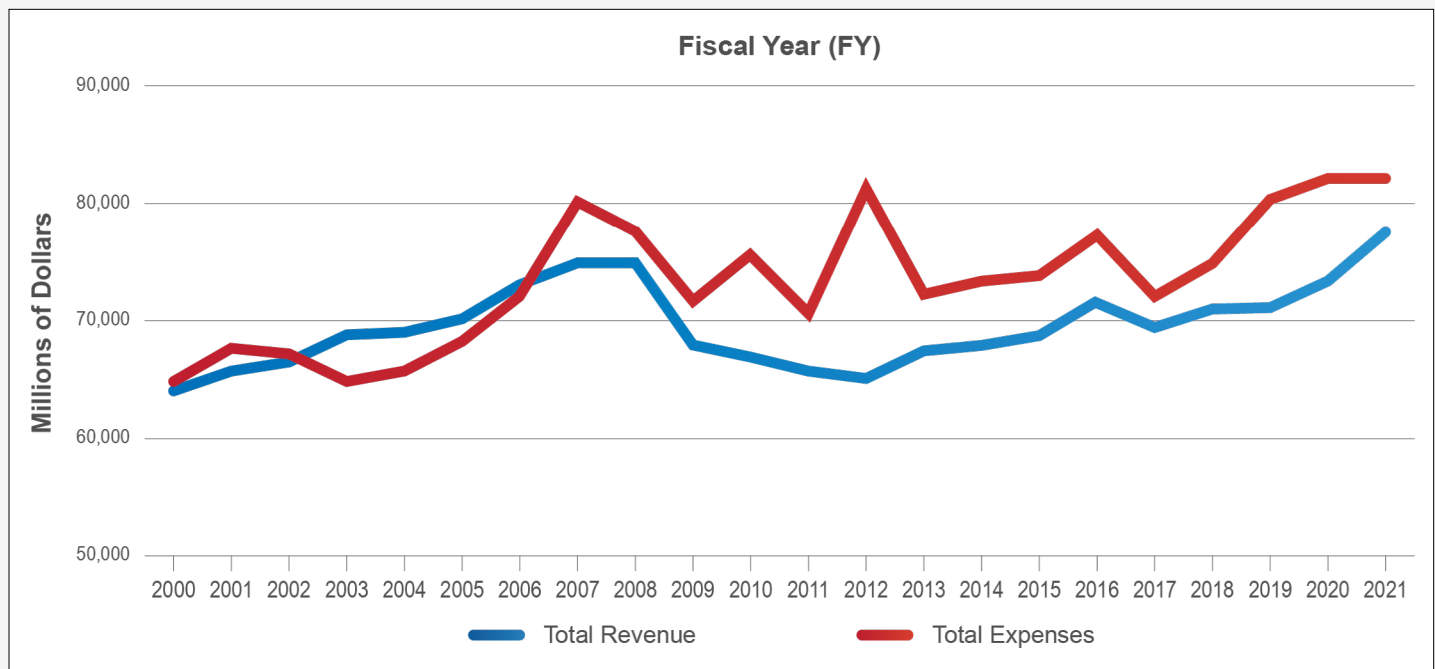
early part of the decade, Postmaster General (PMG) John Potter made investments in automation that improved efficiency, and he oversaw a reduction in the number of career employees through attrition.

Postal Reform

In 2006, the Postal Accountability and Enhancement Act (PAEA) was signed into law, representing the “first broad revision of the 1970 statute that [created the U.S. Postal Service].” The legislation transformed the Postal Service’s rate-setting process by dividing its products into two categories – market dominant (e.g., FCM) and competitive (e.g., Priority Mail) – and capping price increases for market dominant products at the rate of inflation. Some mailers praised the rate predictability and stability ushered in by the PAEA legislation. The legislation also restricted the non-postal services USPS could offer, and it required the agency to prefund future retiree health benefits. The prefunding mandate, in conjunction with the decline of FCM, later proved devastating to the Postal Service’s financial health.

Figure 2: USPS Total Revenue and Total Expenses (FY 2000-2021)

Total revenue outpaced total expenses in four consecutive fiscal years, from 2003 through 2006. Since 2007, total expenses have been greater than total revenue in every fiscal year, resulting in a persistent deficit.



Source: USPS Budget, Financial, and Operating Statistics (FY 2000–2017), and USPS Annual Reports to Congress (FY 2018–2021)

⁵ First-Class Mail can be used to mail postcards, letters, large envelopes, and parcels. Marketing Mail (formerly Standard Mail) is mail not required to be sent as First-Class Mail. Postage rates for Marketing Mail are less expensive than First-Class Mail, but Marketing Mail can take longer to be delivered.

A Record Decline in Mail

The Postal Service depended on volume growth to fund its expanding network. Mail volume peaked in 2006 and fell precipitously in 2008 following the onset of the Great Recession (see Figure 3). As the economy contracted and advertisers decreased spending, Standard Mail volume declined. Credit card, mortgage, and home equity solicitations were particularly hard-hit. Between 2008 and 2009, annual mail volume declined by more than 25 billion pieces – the largest annual drop in USPS history.⁶

In all, mail volume dropped nearly 15 percent between 2000 and 2009. First-Class Mail (FCM) was hardest hit, with nearly 20.8 billion fewer pieces delivered in 2009 than in 2000, representing a decline of 20 percent. Electronic diversion drove much of the decline in FCM, with personal and commercial correspondence shifting online. For example, the percentage of U.S. adults who said they used the internet increased from 52 percent in 2000 to 76 percent in 2009.

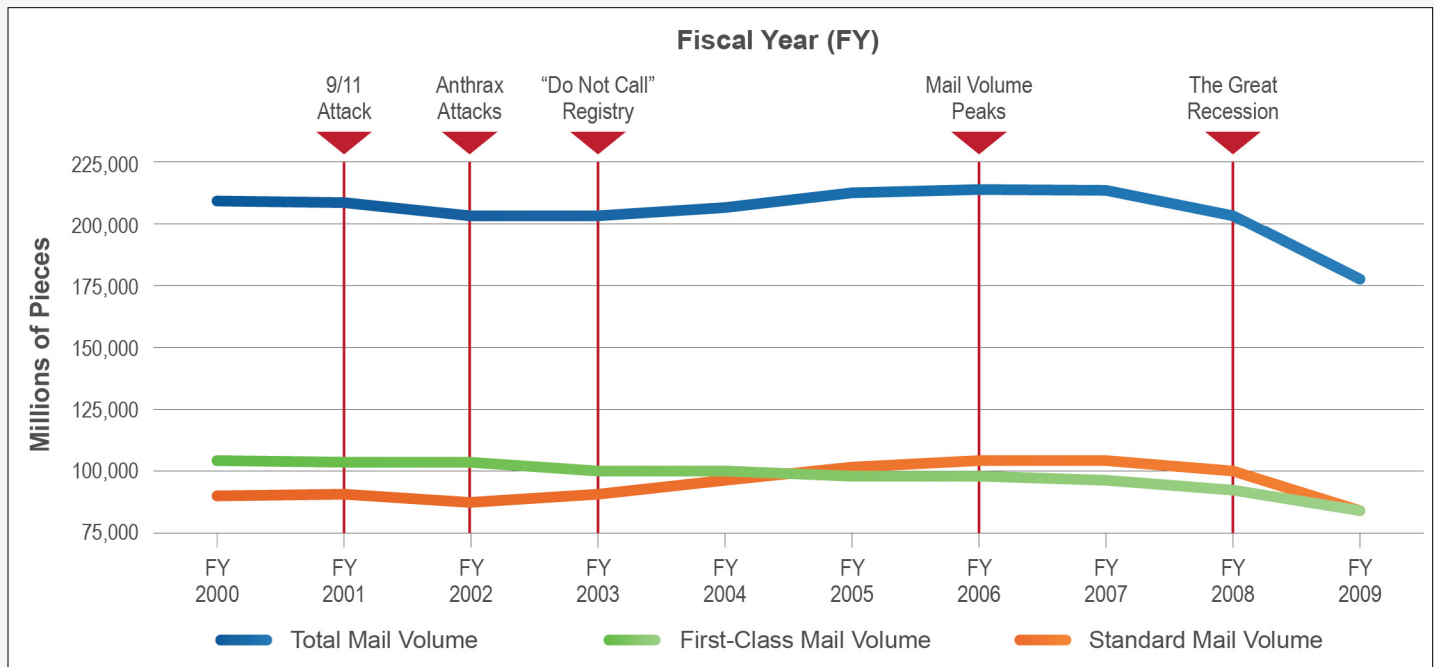
While mail volume declined, the number of USPS delivery points increased by an average of nearly 1.7 million a year between 2000 and 2009, further contributing to a rise in USPS’s costs. As a result of the passing of PAEA, the Postal Service was required to make billions of dollars in payments to prefund its retiree health obligation. At the same time, the new price cap on market dominant products combined with relatively low inflation prevented the agency from raising rates enough to offset costs.

Optimizing and Standardizing the Retail Network

Options for accessing postal products and services without visiting a post office rose as customers purchased stamps at grocery stores— including the new Forever stamp —and used new tools on the USPS website, such as Click-N-Ship. The Postal Service also introduced the Retail Standardization initiative to boost and standardize the customer experience in its retail units. However, as mail volume declined, the Postal Service, GAO, and Congress identified the need to adjust the retail network.

Figure 3: Mail Volume (FY 2000-2009)

Total mail volume peaked in 2006 before falling dramatically after that. Standard Mail volume grew steadily in the middle of the decade, exceeding First-Class Mail volume in 2005, but declined toward the end of the decade.



Source: USPS Annual Reports to Congress, 2000–2009

⁶ By comparison, total mail volume declined by approximately 419 million pieces between 2000 and 2001.

POST OFFICE CLOSINGS



The public loves its post offices!

When residents of Lantana, Florida learned in 2009 that their local post office might close, the city manager worked with the mayor, council members, and city members of all ages to protest the closing. They mailed more than 1,000 coconuts to then-Postmaster General John "Jack" Potter in Washington, D.C., asking him to spare their post office from closure.

The Postal Service agreed. The agency removed the Lantana Post Office from its list and donated the coconuts to a local food pantry.

Image source: Michael Bornstein, Lantana Florida City Manager

In April 2009, the Postal Service introduced the Stations and Branches Optimization and Consolidation initiative (SBOC) to rationalize the Postal Service's retail network by consolidating its stations and branches. At the time SBOC was introduced, there were approximately 27,200 post offices and 4,800 stations and branches. The Postal Service identified approximately 3,600 stations and branches to be screened and potentially consolidated, largely comprised of facilities in urban and suburban areas that were more likely to be located near one another.

While SBOC was the Postal Service's most aggressive attempt to streamline the retail network in the first decade of the 21st century, it resulted in very few closures. Ultimately, the Postal Service closed just 131 stations and branches and SBOC was terminated, partially due to opposition from members of Congress, unions, and the public. For example, members of Congress intervened to remove specific stations and branches from the Postal Service's list of facilities under consideration for closure. In one instance, following a Congressional meeting with senior postal officials, the number of Las Vegas-area facilities under consideration for closure declined from five to just one. The OIG found that USPS could have improved its communication strategies and worked with stakeholders to overcome their opposition.

Changing and Updating the Processing Network Leveraging Data and Automation to Improve Efficiency

Between 2000–2009, the Postal Service leveraged data and automation to improve how mail is processed, tracked, and delivered. Indeed, in its Vision 2013 plan, released in October 2008, the Postal Service said automation "has been the single-most important factor in service and productivity gains."

The Postal Service took a big step forward when it expanded its use of barcodes by introducing the Intelligent Mail barcode (IMb) in 2006. The IMb is a code that enables USPS and its customers to track mail from drop-off to delivery. The Postal Service stated that the IMb can "identify areas to improve efficiency at all points in the system, starting with the quality of addresses and mailing lists, up to the capture and correction of sortation errors at the point of delivery." Indeed, former USPS officials and industry representatives the OIG interviewed cited the IMb as one of the Postal Service's biggest accomplishments of the 21st century.

“Experts cited the Intelligent Mail barcode (IMb) as one of the Postal Service’s biggest accomplishments since the year 2000.”

Other noteworthy examples of automation equipment and systems that the Postal Service deployed during the 2000s include the following:

- Mail Evaluation Readability Lookup Instrument (MERLIN) machines to evaluate bulk business mail to verify that the sender is eligible for a discounted postage rate;⁷
- Automated Package Processing System (APPS) machines to replace slower parcel sortation machines;
- Delivery Barcode Sorter Input/Output Sub-System (DIOSS) machines to sort mail more precisely;
- The Postal Automated Redirection System (PARS) to improve USPS's handling of undeliverable-as-addressed mail; and
- The Carrier Optimal Routing system (COR) in 2005 to configure more compact and efficient city delivery routes.⁸

However, not every investment met expectations. In 2006, the Postal Service approved \$1.4 billion to develop, purchase, and install Flats Sequencing System machines (FSS). Due to declining flat mail volume, the Postal Service had to drastically reduce throughput goals. FSS machines automated the sortation of flat mail into the correct delivery order. However, the OIG found that some flats were not being processed on FSS machines, requiring additional manual sorting. Moreover, the FSS machines added costs to a product whose volume was decreasing, and a rate increase around the time the machines were introduced likely further depressed flats volume. The Postal Service began removing FSS machines in 2021 to make room for additional parcel sorters.

Partnering with the Private Sector to Move Mail

To improve service and cut costs, the Postal Service hired competitors in 2001 and 2004 to transport some domestic mail on planes. The collaboration proved valuable in the days after the September 11 attacks, when the Federal Aviation Administration prohibited commercial airliners from transporting mail or packages weighing more than 16 ounces, forcing

USPS DELIVERS DURING NATURAL DISASTERS

The Postal Service continues to deliver during national emergencies and natural disasters that impact the country.

In 2005, the Postal Service was tested in the aftermath of two particularly devastating storms – Hurricanes Katrina and Rita. The Postal Service took steps to ensure that more than one million displaced people received their mail. The Postal Service set up temporary post offices at evacuation shelters and delivered mail from trailers and tents where house-to-house delivery was not possible. The Postal Service also forwarded mail for more than 600,000 displaced households, and made special arrangements to distribute Social Security checks where necessary.



Image source: United States Postal Service

USPS to move nearly all Priority Mail to a competitor's planes or use its own ground network.⁹ This partnership ultimately became the Postal Service's

7 MERLIN machines checked presort levels, piece counts, address accuracy, barcode readability, and other requirements a mailer must meet to obtain a reduced rate. While MERLIN automated what was once a manual and labor-intensive process, it still relied on USPS employees to accurately interpret and act on its outputs. An OIG audit found instances of employees failing to do so, resulting in the Postal Service collecting less revenue than it was owed. In 2015, the Postal Service began to roll out Seamless Acceptance, a more precise tool to evaluate business mail, ultimately replacing the MERLIN machines. Seamless Acceptance is an automated process that validates postage payment of business mailings.

8 In a 2009 report, the Postal Service stated that delivery units using the COR system reduced vehicle mileage on average by 12 percent. Yet several years after COR was rolled out, the OIG found it was not being used to adjust as many routes as it could, due in part to challenges with the technology.

9 In 2007, President George W. Bush signed legislation requiring all cargo over 16 ounces flown by passenger aircraft to be screened, codifying restrictions on the type of mail that can be transported on commercial airplanes.

largest air transportation network, and remains in effect today.

Around the same time, the Postal Service also signed a contract in 2003 with 18 commercial airlines to improve on-time service and cut costs.¹⁰ The contract reduced the number of postal-airline partnerships from over 50 to 18 and allowed USPS to assign mail based on a carrier's cost and performance.¹¹

The Postal Service also provided "last mile" delivery for competitors' parcels. The arrangement, in which competitors drop packages at Postal Service facilities for final delivery, earns USPS revenue from parcels shipped with its competitors. These partnerships were facilitated by the Postal Service's introduction of Parcel Select in 1999, a service that offers shippers a more attractive rate if they enter packages at USPS facilities that are located closer to recipients' doorsteps, including delivery units.¹²

While the 2000s saw the Postal Service work closely with the private sector to move mail, it also lost a long-time partner when a railroad company stopped carrying mail to focus on transporting passengers in 2004.

Optimizing the Processing and Transportation Network

Throughout the 2000s the Postal Service introduced several initiatives to consolidate its network for processing and transporting mail. First, in 2002 the Postal Service announced the Network Integration and Alignment initiative (NIA), which was later rebranded the Evolutionary Network Development initiative (END) in 2004. The Postal Service terminated END after determining that its broad scope was impractical, and a more incremental approach to consolidation would be best. Both GAO and the Postal Regulatory Commission also expressed reservations about END. In 2008, the Postal Service shared another plan with Congress to streamline its processing and transportation network. While the Postal Service's strategy for optimizing its network was revised multiple times between 2000–2009, the general framework of its initiatives — NIA, END, and the plan responding to PAEA — were largely the same. In each case, the agency sought to identify facilities such as bulk mail centers, airport mail facilities, and

processing and distribution centers that could be consolidated or closed.

Some stakeholders — such as unions — opposed the Postal Service's attempts to consolidate the processing and transportation network, just as they pushed back on the plan to close post offices. Opponents cited potential disruptions to the Postal Service's workforce and concerns that network consolidation would harm service performance. Nevertheless, some network consolidation occurred; between 2005–2009, USPS eliminated 37 million highway contract route miles, closed 68 Airport Mail Facilities, realigned its Bulk Mail Center operations, and closed two of its 268 processing and distribution centers.¹³ While limited consolidation resulted in some cost-savings, it was not enough to offset the financial hit caused by declining mail volume.

Using Technology to Improve the Customer Experience

As internet use took off and Americans' reliance on technology grew, the 2000s saw the Postal Service introduce a host of new products and services for a more digitized country. In some cases, the initiatives were intended to generate revenue by capitalizing on the digital revolution. Other times, new products and services were rolled out to streamline the customer experience.

One product the Postal Service unveiled was USPS eBillPay for customers who preferred to pay their bills online. Other digital initiatives included:

- Electronic Postmark, a service that provided an official time and date stamp for electronic communication;
- PosteCS and NetPost.Certified, services that facilitated secure online delivery of messages and documents; and
- NetPost Mailing Online, an initiative that allowed mailers to submit their advertisements and mailing lists to the Postal Service electronically, which then transferred those files to printing contractors.

Each of these services were introduced between 2000 and 2001, and all but Electronic Postmark were discontinued by the end of 2004.¹⁴ The Postal Service's early digital initiatives struggled due to technical

¹⁰ This new contract replaced the decades-old Air Systems (ASYS) contract, which critics said included too many airlines, and limited the Postal Service's ability to allocate a greater share of mail to the top performers.

¹¹ Although the Postal Service still contracts with commercial airlines to transport mail, the number of airlines declined to six by FY 2020.

¹² In 2021, a major competitor announced it would perform its own last-mile delivery and end its arrangement with USPS.

¹³ At the end of 2009, the Postal Service had 268 processing and distribution centers.

¹⁴ Electronic Postmark continued until 2010.

problems, a lack of consumer interest, and internal and external opposition. Private sector companies protested that the Postal Service — a government agency — could introduce competing products that did not cover their costs. Some members of Congress were opposed to the Postal Service’s experimentation with ecommerce, as well. There was also lukewarm support from Postal Service leadership, who often considered digital innovations to be a low priority in the early 2000s. Moreover, stakeholders had little patience for experimentation and failure, and some leaders feared that digital services would contribute to the erosion of mail volume. Finally, a GAO report released in September 2000 identified problems with the Postal Service’s ecommerce agenda.

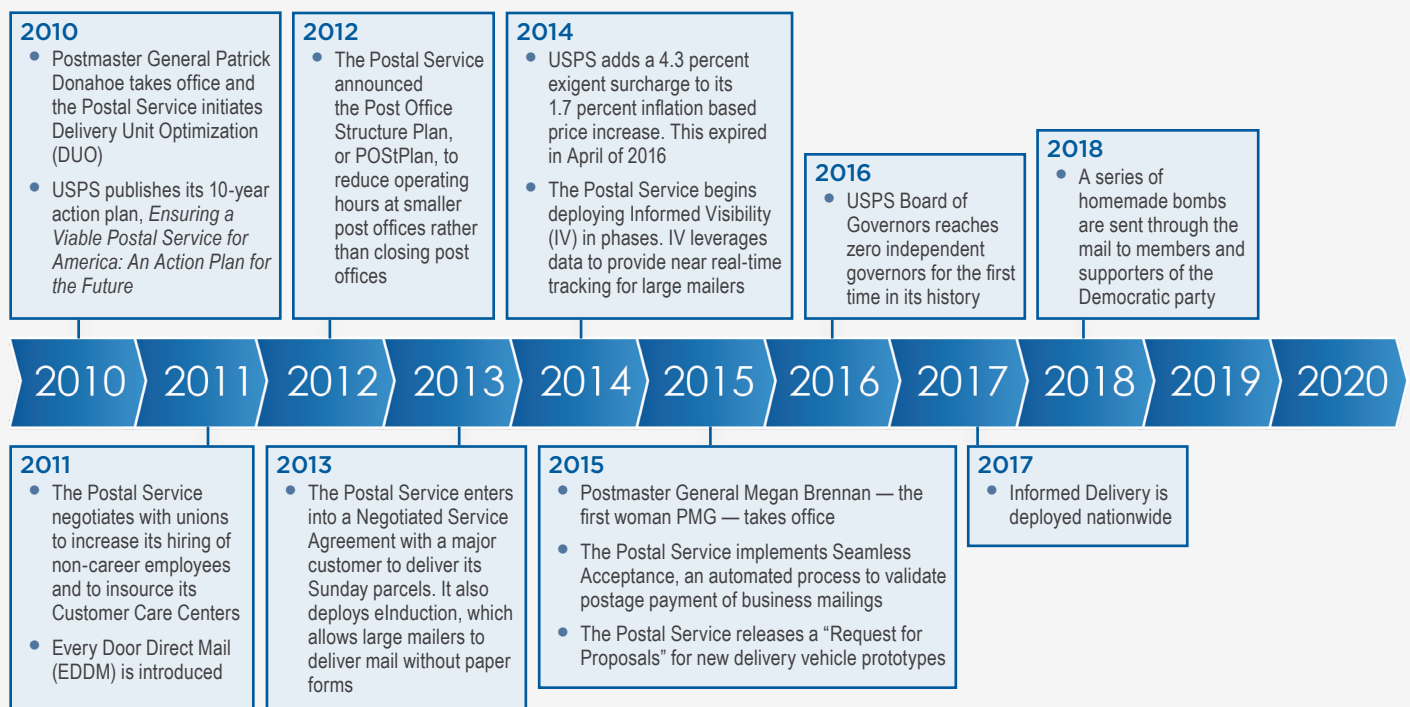
New technology introduced in the 2000s also aimed to simplify and improve how customers engaged with the Postal Service. USPS introduced Automated Postal Centers in 2004 (also called self-service kiosks), machines located in post office lobbies that are often accessible 24 hours a day and sell many of the products a customer would otherwise buy at the counter. Click-N-Ship, unveiled in 2002, allows customers to purchase and print shipping labels

and postage from their own computer. In 2004, the Postal Service introduced Package Pickup, enabling customers to schedule a free pick-up online. And the first decade in the 21st century also saw the Postal Service launch a Spanish-language version of its website and allow customers to change their address online.¹⁵

The Postal Service in the 2010s: A Decade of Austerity

Headlines throughout the 2010s were dotted with news of ecommerce, domestic terrorism, and political polarization. The political polarization that affected the rest of the country also affected the Postal Service: Congress failed to confirm new appointees to the USPS Board of Governors for several years, and a series of homemade pipe-bombs were sent through the mail to supporters of the Democratic party ahead of the 2018 midterm elections. For a Postal Service that was still reeling from the financial implications of PAEA and a continual decline in mail volume, the 2010s was also a decade of austerity. The Postal Service spent much of the decade cutting costs, optimizing its various networks, and appealing to Congress for legislative action.

Figure 4: Postal Timeline of Events in the 2010s



¹⁵ The Postal Service also has a Chinese-language website.

Attempts at Reform to Improve Postal Service's Financial Condition

Dwindling Board of Governors

In the 2010s, Postal Service leadership faced a challenging financial situation due to a changing mail mix and financial obligations from PAEA. At the same time, the number of governors on USPS's governing body, the Board of Governors (BOG), declined as the decade progressed. When Deputy PMG and Chief Operating Officer (COO) Patrick Donahoe was appointed PMG in October 2010, nine presidentially appointed governors sat on the Board of Governors — a full board. However, the BOG dwindled in size as governors' term limits expired and Congress failed to confirm new appointees. In December 2014, the BOG lost its quorum and operated under authority delegated to the Temporary Emergency Committee (TEC).¹⁶ In the absence of a quorum, the TEC was authorized to exercise powers reserved to the BOG that were deemed necessary for continuity of operations. By the end of 2016, zero presidentially appointed governors remained on the Board of Governors for the first time since its inception. It did not reach a quorum again until 2019.

Postal Service's First Woman PMG

A month before the BOG lost its quorum in 2014, it appointed Megan Brennan to be the 74th PMG — making Brennan the first woman PMG in USPS history. She began her career as a letter carrier in Lancaster, Pennsylvania and rose through the ranks to become the COO and Executive Vice President of the Postal Service before becoming PMG.

Ecommerce Boosts Package Volume as Mail Declines

The Postal Service's mail mix shifted significantly in the 2010s, as a continued decline in mail was coupled with rising package volume. Consumers continued to embrace smartphones, tablets, and other smart devices, accelerating the electronic diversion observed in the early 2000s. While mail volume declined, the number of delivery points continued to grow and USPS delivered less mail to more locations. Meanwhile, online retailers began offering memberships and incentives which encouraged a rise in ecommerce package deliveries. Between 2010

and 2019, First-Class Mail volume declined by almost 30 percent to 55 billion pieces, while package volume more than doubled from 2.8 billion to 5.9 billion packages. Then-PMG Patrick Donahoe noted optimistically at the time: "The Internet giveth and the Internet taketh away. We've lost a substantial part of our letter business, but ecommerce has been great for us."¹⁷

Implementation of an Exigent Surcharge

As its mail mix changed and the prefunding obligations of PAEA grew, the Postal Service continued to lose money; total expenses outstripped total revenue during every year of this decade (see Figure 2). Although Congress reduced PAEA's mandatory pre-funding payment in 2009 and postponed 2011's payment by one year, the Postal Service reached its \$15 billion borrowing limit with the U.S. Treasury in 2012 and defaulted on its pre-funding obligations. It continued to default every year after that, totaling a default of \$33.9 billion of PAEA's \$54.8 billion pre-payment requirement between 2012 and 2016. The Government Accountability Office (GAO) added the Postal Service back onto its High-Risk list in 2009; USPS remained there throughout the 2010s.

PAEA established an inflation-based price-cap system but allowed the Postal Service to raise prices above the price cap under extraordinary circumstances. After USPS requested the use of this exigency clause in 2010, business mailers who were concerned about the duration and use of an exigent surcharge opposed the request. While the Postal Regulatory Commission (PRC) initially denied the request in 2010, it eventually approved a temporary surcharge in a 2-1 vote in 2013 to help the USPS compensate for losses due to the Great Recession. USPS was allowed to keep the surcharge in place until it hit a revenue threshold of \$4.6 billion. In January 2014, USPS added a 4.3 percent exigent surcharge to a 1.7 percent inflation-based price increase; by the end of the fiscal year (FY), USPS had \$1.4 billion in "controllable" income for the first time in years.¹⁸ The exigent surcharge remained in effect until its expiration in April 2016. During that time, the Postal Service maintained a surplus of "controllable"

¹⁶ A quorum requires six members of the board to be present. The six members may be six Governors, or four Governors plus the Postmaster General and Deputy Postmaster General. The Board lost its quorum on December 8, 2014, when former Governor Mickey D. Barnett's term expired. For more information, see: Congressional Research Service, "The U.S. Postal Service Governors: And Then There Were None," January 12, 2018, <https://crsreports.congress.gov/product/pdf/IN/IN10621>.

¹⁷ Leonard, Devin, *Neither Snow Nor Rain: A History of the United States Postal Service*, Grove Press: New York, 2019, p. 249.

¹⁸ Controllable income includes costs that are controllable by the Postal Service, such as wages and fuel consumption to match declining volume levels. It excludes the impact of certain workers' compensation adjustments, Retiree Health Benefits Fund prefunding expenses, and changes in accounting estimates from net loss. For more information, see: U.S. Postal Service, *Annual Report on Form 10-K*, December 5, 2014, <https://about.usps.com/who-we-are/financials/10k-reports/fy2014.pdf>.

income before it resumed a deficit again after the surcharge's expiration (see Figure 5).

Strategic Plans and New Initiatives

Postal Service leadership unveiled several strategic plans to deal with the agency's declining financial state. In March 2010, the Postal Service published a 10-year action plan, *Ensuring a Viable Postal Service for America: An Action Plan for the Future*. The 10-Year Plan confirmed that mail volume had declined – and forecasted this trend to worsen throughout the decade. Past plans had projected that mail volume might increase or hold steady; the 10-Year plan represented a marked shift in those expectations.

Ensuring a Viable Postal Service for America requested structural assistance from Congress to repeal PAEA's prefunding obligations and proposed changes to postal operations to counter its worsening financial condition. The plan requested that Congress reduce delivery days from six days a week to five – a proposal that generated a series of PRC public hearings. The PRC found that the Postal Service had overstated their potential savings

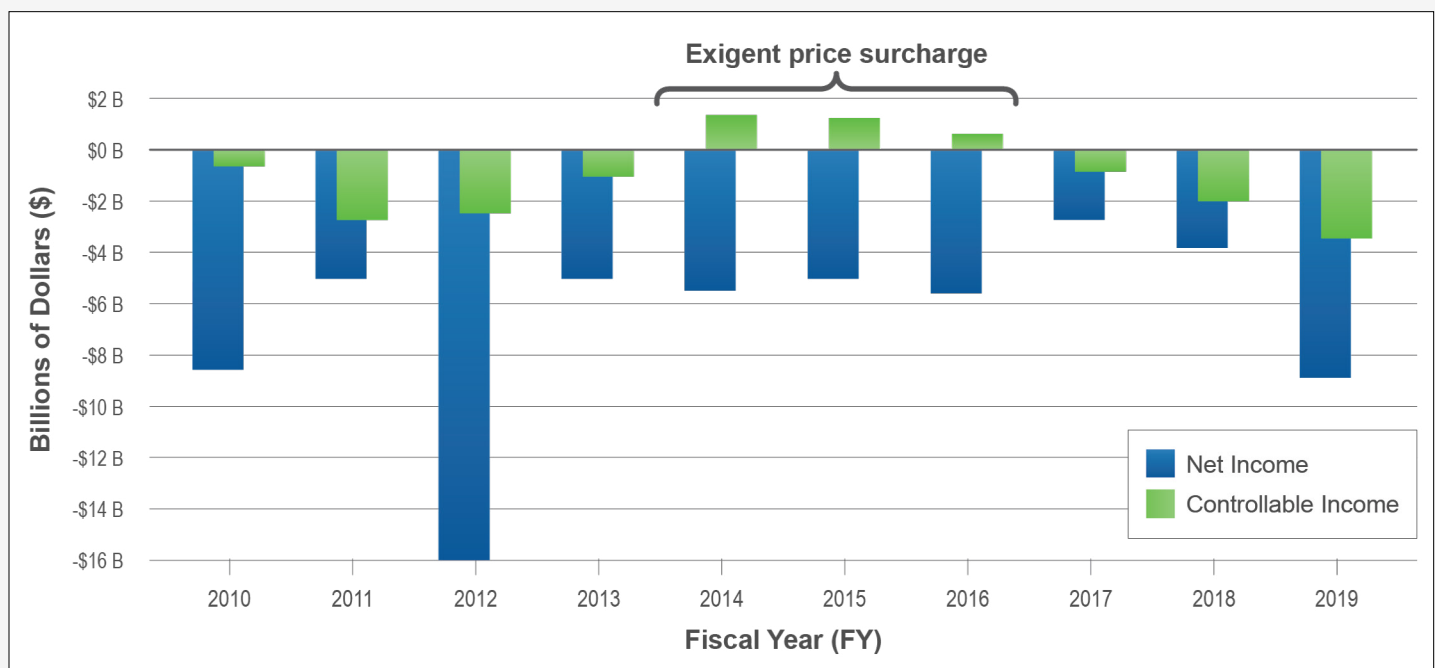
by \$1.4 billion, and Congress continually voted in favor of six-day delivery.

The Postal Service also released strategic 5-year plans that requested legislative action, such as repealing portions of PAEA and allowing USPS to expand into nonpostal services. Their plans also proposed retail, delivery, and processing network consolidation to save money, which was resisted by a variety of stakeholders. Consequently, GAO wrote in 2017 that USPS had a "limited ability to resolve its financial difficulties," noting that "USPS has previously faced resistance to such efforts from customers and Congress." In another report, GAO highlighted the need for reform, stating that, "USPS's actions alone under its existing authority will be insufficient to achieve sustainable financial viability and... comprehensive legislation is urgently needed."

In some instances, however, the Postal Service was able to negotiate with stakeholders to achieve its strategic objectives. For instance, the Postal Service proposed establishing a flexible workforce of non-career employees to replace retiring employees

Figure 5: Net Income and Controllable Income

The Postal Service's expenses outstripped its revenue during every year of the 2010s, primarily due to factors outside of its control. USPS's "controllable income" excludes some of these factors (such as PAEA's congressionally mandated pre-payment requirement) from its net income calculations. During the implementation of an exigent price surcharge between January 2014 and April 2016, the Postal Service accumulated a surplus of \$3.2 billion in controllable income.



Source: OIG analysis of *United States Postal Service 10-K Reports, 2010–2019*

who were estimated to reduce the workforce by approximately 5 percent every year. In 2011, the Postal Service negotiated with unions to increase its hiring of non-career employees as a percentage of its workforce. The percentage of non-career employees increased markedly since then, from an average of 12.7 percent between 2000 and 2011 to an average of 21.3 percent after 2012 (see Figure 6).

In April 2018, President Trump created a Task Force on the United States Postal System to “conduct a thorough evaluation of the operations and finances of the USPS.” By December 2018, the then-Secretary of the Treasury and the rest of the of the Task Force presented the president with their findings in a report titled, *United States Postal Service: A Sustainable Path Forward*. Their recommendations included: a clearer definition of the Postal Service’s universal service obligation; authority to charge market-based prices for mail and package items that are not deemed “essential services”;

modernization of the Postal Service’s cost standards and allocation methodology; and a restructuring and re-amortization of the pre-funding mandate.

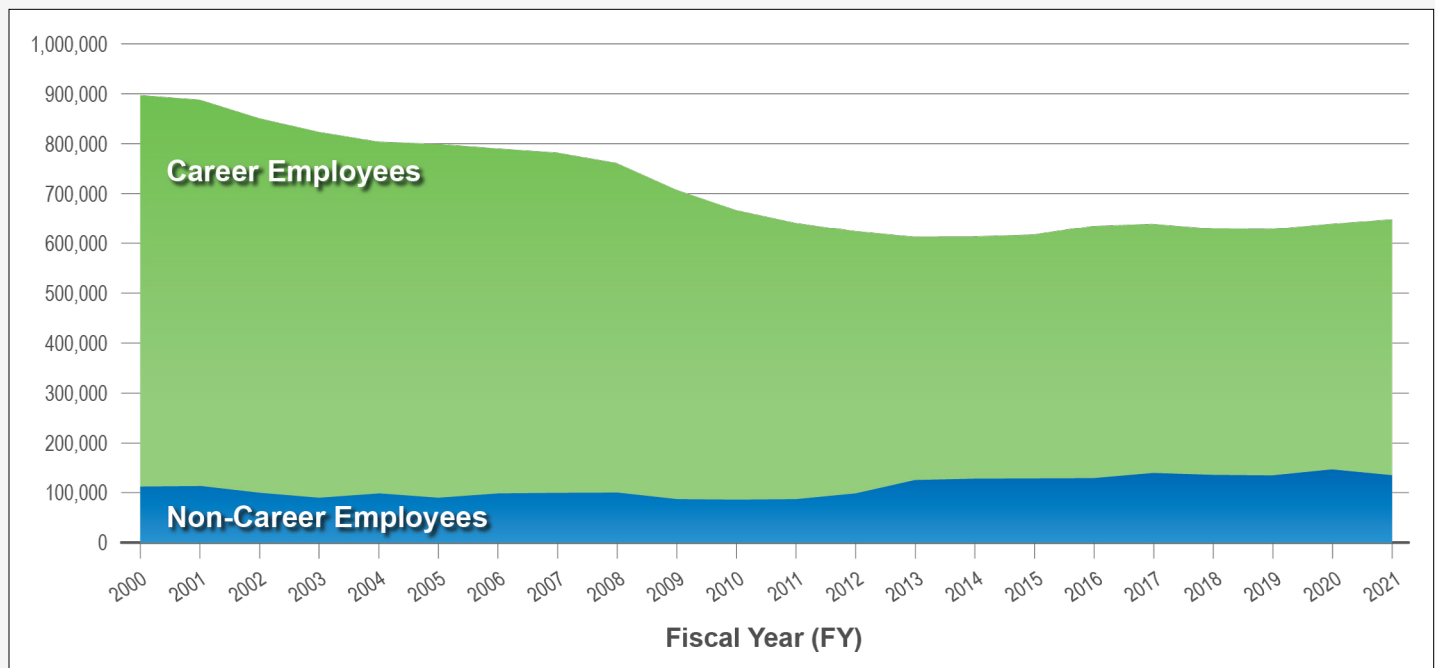
Adjusting Retail Hours and Retail Offices

Realigning the Retail Network with POSTPlan

The Postal Service’s strategic plans in the 2010s continued to push for realignment of retail facilities to increase efficiency and cut costs. In July 2011, the Postal Service announced the Retail Access Optimization Initiative (RAOI), which reviewed 3,652 nationwide retail facilities for potential closure. Again meeting strong resistance to the proposal, the Postal Service did not close any postal facilities as a result of RAOI. A PRC Commissioner at that time said that RAOI “generated more comments and complaints from patrons, and more questions about what the future of people’s business dealings with their Postal Service would be, than any other Advisory Opinion request this Commission had ever received.”¹⁹

Figure 6: USPS Employees by Employee Type

The total number of Postal Service employees decreased between 2000 and 2013 before leveling off. As a result, the postal workforce in 2021 had 28 percent fewer employees than it had at the beginning of the century. However, the percentage of non-career employees increased during the same period. Non-career employees comprised an average of 12.7 percent of the workforce before 2012 and 21.3 percent of the workforce after 2012.



Source: *United States Postal Service Annual Reports, 2000–2021*

¹⁹ Hammond, Tony, “Concurring Opinion of Commissioner Hammond,” Postal Regulatory Commission Docket No. N2012-2, August 23, 2012, <https://www.prc.gov/sites/default/files/papers/Hammond%20N2012-2.pdf>.

Instead, the Postal Service announced a new strategy in May 2012: the Post Office Structure Plan, or POSTPlan. Rather than closing post offices, this plan would reduce operating hours at the smaller post offices to two, four, or six hours per day to match customer use. To reduce workhours, the Postal Service offered Voluntary Early Retirement incentives to 21,000 postmasters and, later in the year, a similar incentive to eligible bargaining unit employees who were part of the American Postal Workers Union (APWU).²⁰ By the end of their respective incentive periods, 4,189 postmasters (20 percent of all career postmasters) and more than 26,000 APWU employees had accepted the retirement incentive.²¹

Ultimately, POSTPlan reduced the hours of roughly 12,400 retail locations, with more than four-in-five of these locations in rural areas. About 4,300 (35 percent) became open for six hours per day; 6,500 (52 percent) were open for four hours; and 1,600 (13 percent) were only open for two hours. According to GAO, the Postal Service revised its estimated annual savings from \$500 million to \$337 million with this effort.

Expanding the Retail Network to Private Businesses

The Postal Service's retail realignment plans also sought to expand the retail network to include partnerships with other businesses and retailers. In August 2010, the Postal Service partnered with a large retailer to offer USPS shipping products and services. It also introduced the concept of a Village Post Office (VPO) in July 2011 and launched a pilot program to place postal retail units in more than 80 stores owned by another major retailer in late 2013.²²

The Postal Service's plans to open additional privately operated postal retail units were sometimes met with resistance. Stakeholders viewed VPOs as replacements for post offices, and the number of post office closing appeals to the PRC multiplied at the beginning of this decade — underscoring the public's appreciation for their local post offices. Meanwhile, unions joined together to protest the Postal Service's plans to place retail units in a major retailer's stores because PMG Donahoe did not plan to staff them

with USPS postal clerks. The APWU campaign began in early 2014. USPS and the retailer agreed to shut down their partnership's retail units but continued to offer postal services through the "Approved Shipper" program. After two and a half years of union pressure, USPS also ended the "Approved Shipper" program at the retailer's stores.²³

As a result of retail realignment efforts since 2010, the total number of USPS retail facilities declined by more than 1,600 units. Specifically, the numbers of USPS-operated units in the retail network (such as post offices, branches, stations, and annexes) and the numbers of some types of contracted postal units declined; only the number of VPOs increased after their introduction in 2011.²⁴

Consolidating and Updating the Processing Network Introducing the Network Rationalization Initiative in Stages

In addition to its efforts to realign the retail network, the Postal Service announced an initiative in September 2011 that examined 252 of its 487 mail processing facilities for consolidation. This was part of its Network Rationalization Initiative (NRI) to align the Postal Service's network processing capacity with declining mail volume. In May 2012, the Postal Service divided the NRI into two phases. NRI's first phase would result in 140 consolidations over nine months. A second phase would consolidate 89 locations beginning in February 2014. Most of the consolidation activities would involve transferring mail-processing operations from smaller facilities to larger facilities. The Postal Service projected the NRI would reduce the size of the workforce by approximately 13,000 employees and generate cost reductions of roughly \$1.2 billion a year.

In January 2015, the Postal Service also revised its service standards for FCM, such that single-piece, overnight FCM service was eliminated, and some FCM was shifted from a 2-day service standard to a 3-day service standard. Revising service standards was intended to enable the Postal Service to process mail on fewer machines, thereby using less facility space — an initiative known as Operational Window Change (OWC).

20 The APWU represents clerks, maintenance workers, and other members of both the Support Services division and the Clerk, Maintenance, Motor Vehicle Service. The APWU is one of several labor unions representing USPS workers.

21 The incentive period for postmasters ended in June 2012. Eligible APWU career employees needed to agree to leave on or before February 28, 2013. It is unclear how many of the 26,000 APWU employees were retail employees. For more information, see: U.S. Postal Service Office of Inspector General, "Lessons Learned from Retail Network Optimization Initiatives: Management Advisory Report," Report Number: DR-MA-13-001, March 21, 2013, <https://www.uspsaig.gov/sites/default/files/document-library-files/2015/dr-ma-13-001.pdf>.

22 VPOs are retail outlets that would provide postal products and services in rural communities where a post office had either reduced its operating hours or did not exist. VPOs would be located in convenient locations (such as within businesses and grocery stores) and would often stay open for longer hours than USPS post offices.

23 The Approved Shipper Program is a component of the Approved Postal Provider® Program, which gives U.S. Postal Service customers expanded access to Postal Service offerings, such as mailing packages and letters, at non-postal locations.

24 The number of Village Post Offices peaked in 2016 and began declining in 2017. VPOs make up a fraction of the total number of postal facilities.

After the implementation of NRI and OWC, congressional stakeholders, commercial mailers, labor unions, and other customers voiced concerns about the rise in delayed mail and a decline in service. The APWU collected and delivered more than 300,000 signatures protesting the initiative to senators and congressmen. Mailers — particularly mailers with a large number of rural delivery points such as those in the newspaper industry — found that they needed to travel further to get their mail to a facility. An OIG audit report stated that delayed mail and transportation costs increased, while performance scores and mail processing productivity declined in the nine months following the implementation of OWC. Another audit found that the Postal Service did not achieve its projected \$1.61 billion in savings in FYs 2017 and 2018; instead, the OIG could only verify about \$90.65 million in savings, which was almost 95 percent below projected expectations. The OIG concluded that, “it is unlikely the Postal Service will ever achieve the projected annual \$805.5 million [in] OWC savings.”²⁵

Faster Machines and Robots in Processing Plants

The Postal Service began to test and install new machines to upgrade its aging sorters. In 2010 and 2011, USPS updated its older, small parcel and bundle sorters with new control systems and technology. These upgraded machines were called automated parcel and bundle sorters and could process an average of 4,500 pieces an hour.²⁶ USPS installed 33 small package sorting system (SPSS) machines in 2015 and 2016 that could sort up to 4,500 packages an hour. By July 2016, USPS began testing a high throughput parcel sorter (HTPS) in Denver that could sort 14,350 packages an hour; a couple years later, USPS installed an enhanced package processing system (EPPS) in Portland, Oregon that could sort 25,000 packages an hour. It installed a second EPPS in Nashville in 2019.

USPS AND THE INTERNATIONAL COMMUNITY

The United States Postal Service is part of a global community. It directly interfaces with many of the world's nations in its mission to provide the American public with trusted, affordable, and universal postal service.

Relationship with Cuba



In July 2015, President Obama announced the re-establishment of diplomatic ties with Cuba. The following year, the Postal Service resumed direct mail service with Cuba for the first time in more than half a century.

STOP Act of 2018

In 2017, the Department of Health and Human Services declared the opioid crisis a nationwide public health emergency. Congress passed the Synthetic Trafficking and Overdose Prevention (STOP) Act of 2018 to stem the flow of opioids shipped to the United States. The STOP Act required Advance Electronic Data (AED) on all international postal packages entering the United States.



Universal Postal Union Membership



In October 2018, President Trump announced that the US might leave the Universal Postal Union (UPU). In September 2019, the UPU Congress determined that the US would be allowed to set its own packet rates beginning in July 2020. The US subsequently withdrew its intent to leave the UPU.

Sources: *The New York Times*, *Time Magazine*, Department of Health and Human Services

²⁵ See U.S. Postal Service Office of Inspector General, “Operational Window Change Savings,” Report Number NO-AR-19-001, October 15, 2018, <https://www.uspsaig.gov/sites/default/files/document-library-files/2018/NO-AR-19-001.pdf>.

²⁶ In the past, small parcel and bundle sorters could only process an average of 2,770 pieces an hour. This represented an increase of 62 percent. For more information, see: U.S. Postal Service, “The U.S. Postal Service: An American History,” 2022.

The Postal Service also piloted automated guided vehicles to move mail within processing plants. In 2016, it tested autonomous tow tractors that could pull up to five carts of mail between loading docks and mail processing machines, and in 2018, it tested pallet jacks to move pallets of mail. After these were successfully piloted, the Postal Service began nationwide deployment.

Optimizing, Adjusting, and Innovating Deliveries

The Postal Service also took steps to reduce employee workhours and building expenses by relocating letter carriers out of local post offices, stations, and branches into centralized delivery offices. The Postal Service's Delivery Unit Optimization (DUO) initiative resulted in about 1,500 consolidations in FY 2011 before Senator Charles Grassley asked the OIG to investigate the Postal Service's compliance with DUO guidelines. Following an OIG audit, Postal Service management revised DUO guidelines and then implemented an additional 273 DUO consolidations between March and September 2013.²⁷

Adding Sunday Deliveries of Packages

In October 2013, the Postal Service agreed to deliver Sunday parcels for a major customer when it entered into a Negotiated Service Agreement (NSA). By April 2014, Sunday service was operating at 459 hubs in 22 districts.²⁸ In order to make Sunday deliveries a reality, the Postal Service negotiated new labor contracts with unions that would require new non-career employees to work early mornings and Sundays — times during which career employees would have ordinarily received premium pay.

The Postal Service also experimented with alternative delivery services such as same-day delivery and grocery delivery, and provided its carriers with mobile delivery devices with scanning technology.²⁹

Investing in Next Generation Delivery Vehicles

After implementing the temporary exigent price increase in January 2014, the Postal Service ended FY 2014 with additional revenue that could be used for capital investment. In January 2015, the Postal Service began a procurement process for new delivery vehicles to replace their aging delivery fleet, a lengthy process that did not end in a contract until February 2021. In the meantime, carriers were invited

USPS SUSTAINABILITY INITIATIVES

The Postal Service created an Office of Sustainability in Spring 2008. It has worked to create a culture of conservation for the agency. Initiatives in the 21st century include:

Recycling

USPS recycles 300,000 tons of waste, purchases recycled materials, and provides recyclable shipping materials to customers.



Delivery Vehicles



More than 14 percent of the agency's fleet is currently capable of using alternative fuels. USPS also plans to purchase battery electric vehicles to replace portions of its aging delivery fleet.

Solar Panels

The Los Angeles processing facility has more than 25,000 solar panels on its roof to generate electricity. In addition, a processing and distribution facility in Anaheim, CA installed solar panels in its parking areas.



Image source: United States Postal Service

²⁷ The updated guidelines required the Postal Service to track operating costs, workhours, and mail volumes so it could conduct cost studies, audits, and future compliance reports.

²⁸ This large customer built more than 15 sortation centers to sort packages and send them directly to Destination Delivery Units (DDUs) to deliver the last mile. Millions of parcels from more than 50 fulfillment centers are sent to and sorted at the customer's sortation centers, where they are presorted for delivery to the customer. By the time the packages arrive at a DDU, they have bypassed most of the USPS network.

²⁹ These included Metro Post, which allowed participating businesses to offer same-day delivery services for online purchases in San Francisco and New York City, and Customized Delivery, which provided early-morning grocery deliveries in San Francisco. As of the writing of this paper, the Postal Service continues to offer same-day delivery services in select locations but has discontinued grocery deliveries.

to review vehicle prototypes, with manufacturers requesting carriers with a variety of body types to visit and test the vehicles. See the section, “Operational and Network Changes”, below, for more on the recent agreement to purchase new delivery vehicles.

Centralizing Delivery Points

In April 2018, the Postal Service revised its *Postal Operations Manual* to eliminate curbside, sidewalk, and door delivery for new delivery points (except in rare cases) and made centralized delivery service the preferred mode of delivery instead. Mailers criticized the decision, and the National Association of Home Builders expressed concerns over the increased costs to homebuilders. The OIG found that door-delivery customers were less likely to discard advertising mail compared to customers with curbside or cluster box delivery, and 63 percent of its survey respondents without cluster box delivery indicated they would be displeased with a shift to cluster box delivery. However, the OIG also estimated that moving from door delivery to curbside delivery could save the Postal Service more than \$4.5 billion a year, and a further conversion of curbside to centralized delivery could save an additional \$5.1 billion.³⁰

Insourcing Customer Care Centers and Utilizing Data

Returning Customer Care Center Jobs to Postal Employees

The Postal Service developed the telephone Care Center in 1996 to centralize, standardize, and improve its handling of phone inquiries from the public. The agency used to spend an average of \$71 million per year contracting an outside company to manage and staff its care centers but began piloting an in-sourced call center in Detroit in March 2007. In 2011, the then-president of APWU, Cliff Guffey, announced a tentative agreement with the Postal Service to return 1,100 Call Center jobs to APWU members. The Postal Service decided to insource staffing in 2012; within two years, USPS opened four Care Center locations based on factors such as their proximity to closed facilities whose displaced employees could staff new centers.

The Postal Service also incorporated new technology into its Customer Care Center. In 2015, the agency overhauled its automated customer service menu — known as Interactive Voice Response (IVR) — due to increasing call volume and declining customer satisfaction with IVR. The new system aimed to improve the customer experience, increase call containment, and decrease the number of callers who hung up while waiting to speak to an agent. However, an independent 2018 OIG customer survey found that only 60 percent of IVR users were satisfied with their experience.³¹ In November 2019, the Postal Service launched a pilot using artificial intelligence virtual agents (AIVAs) to answer customers’ questions about passports. AIVAs are chatbots that use conversational technology to assist customers and are still being used in Customer Care Centers today.

Utilizing the IMb for Business Customers and the American Public

The Postal Service also leveraged new technology to better serve its business and consumer customers in other ways, most notably with its implementation of Informed Visibility (IV) and Informed Delivery platforms.³² After years of testing, the agency launched IV for businesses in October 2014 in a series of phases. IV is a system designed to centralize postal data and provide near-real time visibility into the mail stream. The IV Mail Tracking & Reporting app uses IMb to provide end-to-end mail tracking information for letter and flat pieces, bundles, handling units, and containers so that commercial mailers can track their products without the need for postal employees to physically scan mail pieces.³³ At the same time, IV provides information to processing plant managers on their facility’s incoming and outgoing mail to schedule employees and machines more efficiently. Thus, IV has been able to improve workhour efficiencies since its adoption.³⁴ Meanwhile, the Postal Service created a digital connection between consumers and their mailbox with Informed Delivery. First tested in 2014, Informed Delivery offers customers free, daily emails with images of their arriving mail. This service was deployed nationwide

³⁰ The move to centralized delivery remains a postal policy at the time of this writing.

³¹ See U.S. Postal Service Office of Inspector General, “Improving the Customer Experience with USPS Customer Care Centers,” Report Number RARC-WP-18-012, August 20, 2018, <https://www.uspsoidg.gov/document/improving-customer-experience-usps-customer-care-centers>.

³² In addition to IV and Informed Delivery, the Postal Service also offered rebates and promotions to improve the customer experience for business customers, such as a promotion in 2011 to large mailers who integrated innovative technologies into their mail. At the time, new technologies could include QR codes that could link to a website or an augmented reality experience. In 2013, large mailers were required to use the IMb to qualify for postal discounts — a move that would encourage widespread adoption of the IMb. The Postal Service also launched Irresistible Mail, a program that offered samples for mailers who were interested in producing creative advertisements that incorporated direct mail and awarded the most innovative mail campaigns.

³³ Notably, mailers in the newspaper industry are unable to utilize IV in the way that other mailers can use them. Newspapers are not sorted in the mail processing machines that are used by IV, so newspaper mailers do not currently have visibility into their mail stream.

³⁴ See U.S. Postal Service Office of Inspector General, “Improving Operational Efficiency Using Informed Visibility,” Report Number RISC-WP-009, September 17, 2021, <https://www.uspsoidg.gov/sites/default/files/document-library-files/2021/RISC-WP-21-009.pdf>.

in 2017; by then, emails from the platform also included package tracking information. More than 44 million customers have enrolled in Informed Delivery since 2017.

The Postal Service in the 2020s: Proving its Value Proposition

Although we are still early in this decade, much has happened. On March 13, 2020, President Trump declared COVID-19 a national emergency as the virus spread, and millions of Americans began to work and shop from home. Of those who began to telework, 57 percent said they rarely or never did so before the pandemic. Restrictions due to COVID-19 accelerated an ecommerce boom and the public turned to online shopping, relying on the Postal Service for more package deliveries. The virus also impacted the Postal Service’s role in the election process, as 43 percent of votes were cast by mail in 2020, compared to 21 percent in 2016. As these transformative events unfolded, the Postal Service developed a new strategy for its future and Congress passed long-debated postal reform.

Rising Ecommerce During the COVID-19 Pandemic

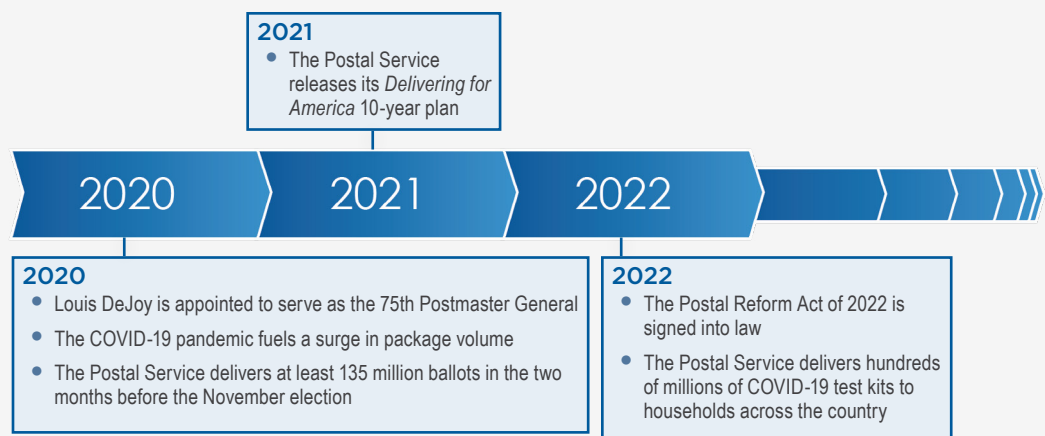
When COVID-19 entered the United States, restaurants closed, stores shifted online, and Americans began to shelter in place. As COVID-19 spread, ecommerce increased, and Americans opted to order goods from the safety of their homes. In 2020, online sales in the U.S. rose 43 percent from the prior year, and the Postal Service played an integral role in delivering those products. The agency experienced a large increase in package volume, especially at the

beginning of the pandemic. Package volume grew by about 466 million pieces (30 percent) from March through May 2020 compared to the same period in 2019. Additionally, FY 2020 marked the first time that package revenue outstripped FCM revenue. While the rate of growth slowed in FY 2021, the Postal Service still handled 253 million more packages than the previous year. Despite the surge in packages, mail volume fell more than nine percent between FYs 2019 and 2021.³⁵

Protecting Employees and Customers from COVID-19

Throughout the COVID-19 pandemic, postal employees continued to staff post offices, process mail, and deliver for the American people. A \$10 billion allocation from the CARES Act, signed in March 2020 as a loan to USPS but later forgiven, helped the agency fund its operations during the pandemic. To protect the health of its employees and customers, the Postal Service created the COVID-19 Command Response Team to lead its pandemic response and ensure adherence to CDC guidelines. It also installed cough and sneeze guards and distributed millions of masks, gloves, and sanitizing products to its employees. To track inventory and monitor facilities that needed more supplies, USPS established the COVID-19 Supplies Command Center. The agency also restructured start times in some facilities so that employees could socially distance from one another. Finally, USPS adopted a liberal leave policy to support employees who became sick or were otherwise impacted by COVID-19. For example, USPS provided

Figure 7: Postal Timeline of Events in the 2020s



³⁵ First-Class Mail volume fell 7.7 percent, and Marketing Mail volume declined by nearly 12.5 percent.

paid administrative leave to employees who had to quarantine because of the virus.

New Leadership, A Strategic Plan, and Postal Reform

A New Postmaster General from the Private Sector Introduces a 10-Year Plan

After several consecutive Postmasters General rose from within the Postal Service's ranks, the Board of Governors appointed Louis DeJoy to serve as the 75th Postmaster General in May 2020. DeJoy is the fifth PMG to come from the private sector since the Postal Service was formed in 1971, and the first since Marvin Runyon was appointed nearly 30 years earlier. DeJoy took over during a tumultuous time for the Postal Service: the agency was losing billions of dollars every year; the country was in the early stages of the COVID-19 pandemic; and an election was approaching in which a record number of Americans were expected to vote by mail.

DeJoy pledged to resuscitate the Postal Service's financial health and the Postal Service implemented numerous cost-reduction initiatives early in his tenure. For example, the agency reorganized field operations and headquarters functions; made plans to pilot an initiative to reduce overtime for some employees; and implemented an initiative designed to eliminate unnecessary late and extra trips outside of regularly scheduled transportation service.³⁶ Additionally, USPS executives implemented "Do It Now FY Strategies" that included removing mail processing equipment and eliminating certain processing operations on Saturday. After the changes were implemented, the timeliness and quality of mail delivery declined significantly. In the face of criticism, PMG DeJoy testified before Congress that the 57 "Do It Now FY Strategies" were routine and were developed before his introductory meeting with USPS executives. The OIG determined that some strategies were developed before PMG DeJoy's first meeting.³⁷ As the 2020 election neared, PMG DeJoy suspended initiatives to remove mail processing equipment and blue collection boxes until after the election to avoid any appearance of impacting election mail.

PMG DeJoy also reached out to unions, and stated that postal facilities were "understaffed... due to excessive turnover in our pre-career workforce."³⁸ City Carrier Assistants (CCAs) consistently held the highest turnover rates among all four pre-career crafts between FY 2016 and FY 2019. Within the first year of the PMG's tenure, the Postal Service agreed upon a memorandum of understanding (MOU) with the National Association of Letter Carriers (NALC) — the union representing CCAs — to convert CCAs into career positions after 24 months. In May 2022, the Postal Service and NALC agreed to convert all CCAs to career status and to begin hiring PTF career letter carriers — who receive benefits — in 22 select locations. Similarly, the Postal Service reached agreements with the American Postal Workers Union (APWU) and the National Postal Mail Handlers Union (NPMHU) to convert 14,000 postal support employees (PSEs) and more than 5,000 mail handler assistants to career status.

A New Strategic Plan

In March 2021, the Postal Service released a new 10-year plan, *Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence* (DFA). The plan presents a path for the Postal Service to achieve break-even operating performance over the next 10 years through revenue and cost saving opportunities totaling \$160 billion. Initiatives in the plan include: growing the package business; boosting package processing capabilities; improving the employee experience; refreshing the Postal Service's delivery fleet; slowing down delivery standards for a portion of FCM and periodicals in order to reduce costs; and optimizing the transportation network by moving more mail via the ground network rather than air. Additionally, the plan pledged to use new authorities provided by the PRC to increase prices for market-dominant products above the rate of inflation. In October 2021, the Postal Service slowed service standards for a portion of FCM, pledging to deliver it in 1-5 days instead of 1-3 days.³⁹ Mailers were critical of the change, concerned that it would weaken the value of mail while postage rates continued to rise. Meanwhile, the DFA's emphasis on package delivery was applauded

³⁶ For more information, see U.S. Postal Service Office of Inspector General, "Operational Changes to Mail Delivery," Report Number 20-292-R21, October 19, 2020, <https://www.uspsoig.gov/sites/default/files/document-library-files/2020/20-292-R21.pdf>.

³⁷ PMG DeJoy cited an OIG report, "Deployment of Operational Changes," to substantiate his claim. The OIG report stated that the strategies were presented to PMG DeJoy at an introductory meeting with USPS executives. The OIG later found that the Postal Service enacted the changes without first conducting an analysis of their potential impact on service quality. See: U.S. Postal Service Office of Inspector General, "Deployment of Operational Changes," Report Number 21-014-R21, November 6, 2020, <https://www.uspsoig.gov/sites/default/files/document-library-files/2020/21-014-R21.pdf>.

³⁸ "Pre-career" employees were previously called, "Non-career" employees. The Postal Service began referring to non-career employees as pre-career employees in the 2020s. The nomenclature in this paper reflects the Postal Service's nomenclature at the time of the event.

³⁹ While the Postal Service slowed service standards for a portion of FCM, the agency accelerated service standards for Retail Ground and Parcel Select Ground from 2-8 days to 2-5 days.

by some stakeholders, while others expressed skepticism that the Postal Service could successfully compete with private sector companies.

As part of the DFA, the Postal Service also renewed its focus on business customers through its USPS Connect initiative. USPS Connect consists of four parts: USPS Connect Local, USPS Connect Regional, USPS Connect National, and USPS Connect Returns. The agency began piloting USPS Connect in 2021 and deployed it nationally the following year. Benefits of the program include affordable postage rates, more convenient returns, and an option to enter packages at postal facilities closer to a business' customers. Connect Local offers same-day or next-day delivery to small businesses at rates previously available only to the Postal Service's larger customers. The service is intended to help small businesses answer their customers' demands for speedy delivery.

Postal Reform Relieves Financial Challenges

After more than a decade of advocacy for postal reform, the Postal Service Reform Act of 2022 (PSRA) was signed by President Biden in April 2022. PSRA marked the first substantial reform legislation since PAEA, which was passed more than 15 years earlier. The PSRA repealed PAEA's requirement to prepay retiree health benefits, a mandate which had proved devastating to the Postal Service's finances. In FY 2022, USPS's balance sheet was helped by a one-time benefit of \$57 billion to net income due to the elimination of unpaid prefunding amounts. However, the gain was only an accounting adjustment and does not reflect an actual cash infusion. The PSRA also requires most future USPS retirees to enroll in Medicare in order to participate in Postal Service health benefit plans, a change expected to yield significant savings for the agency over time. Additionally, the legislation opened new revenue opportunities as it allowed USPS to enter into agreements with government agencies at the state, local, and/or tribal level to provide non-postal products and services that met specified criteria.

Operational and Network Changes

The Postal Service plans to make significant changes to its processing and delivery networks in response to the changing mail mix. The agency has already made some changes to allow it to process its growing parcel volume. In 2020, the Postal Service began testing robotic induction systems to feed package sorting machines. Following a tumultuous 2020 holiday season that saw considerable delivery delays, the Postal Service accelerated its purchase

STAMPS IN THE 21ST CENTURY

The postal stamp has witnessed major changes since the year 2000, just like the Postal Service itself.

Forever Stamps



The first Forever stamp was released in 2007. Forever stamps are sold at the current price of a one-ounce First-Class Mail stamp but will cover the cost of mailing a letter indefinitely, even if the postage rate increases.

Commemorative Stamps

The Postal Service has released hundreds of commemorative stamps honoring American culture, important people, noteworthy events, and underrepresented groups. However, demands for licensing fees from estates have become more common, and have limited the images the Postal Service can use on its stamps.



Fun Stamps



The agency released scratch-and-sniff stamps, textured stamps, and heat-sensitive stamps, as well as stamps featuring characters from the Simpsons and Harry Potter series. Some philatelists were upset by the agency's foray into pop culture.

Image sources: National Postal Museum and Linn's Stamp News

of 138 package processing sorters ahead of the 2021 peak season. Additionally, as the 2021 holidays approached, the agency leased 45 annex facilities to help it process an influx of packages.

The Postal Service has said it also plans to make larger changes to its delivery and processing network. This includes consolidating some delivery units into new, larger Sort and Delivery Centers (S&DCs). It also plans to modify its processing network to be more efficient by creating approximately 60 regional processing centers.

The Postal Service continued its effort to substantially upgrade its delivery fleet when it placed an order for Next Generation Delivery Vehicles (NGDV). The new vehicles, which are expected to begin deployment in late 2023, will have larger cargo capacity, and a portion will be electric vehicles. The NGDVs will upgrade a fleet that includes many vehicles over 30 years old and lacking modern features such as air conditioning and advanced braking and traction control.

COVID-19 and the Postal Service

Utilizing the Network for COVID-19 Test Fulfillment

In January 2022, the Postal Service began fulfilling orders for COVID-19 test kits and delivered them to households across the U.S. It was a new, high stakes undertaking for an agency accustomed to delivering mail to every address in the country, but possessing limited experience managing and processing inventory. To take on this new fulfillment role, the Postal Service created a website where the public could order COVID-19 test kits; just six hours after the website went live, the agency received 42 million orders. The test kits were stored and shipped from more than 40 USPS package sorting plants located across the country. Roughly 8,000 seasonal employees had their contracts extended to help fulfill orders. In FY 2022, the Postal Service delivered over 668 million COVID-19 tests to more than 78 million households, with an average delivery time of just over one day. As President Biden prepared to sign the PSRA into law, he described the agency's performance getting COVID-19 tests to the American people as an "impressive turnaround for an unprecedented task ... continuing the truly heroic service that they provided throughout this pandemic."

Delivering Election Mail During a Pandemic

A surge of voters cast ballots by mail in the 2020 presidential election, and the Postal Service played an integral role in facilitating the process. More

CUSTOMER APPRECIATION

During the COVID-19 pandemic, postal employees were considered essential frontline workers who continued to work in the middle of a global pandemic. Pew Research Center reported that over nine-in-ten Americans held a favorable view of the agency at the beginning of the pandemic — more than any other federal agency. Americans showed their appreciation for postal workers through signs, posters, and other demonstrations of gratitude.



Image source: United States Postal Service

than four-in-ten voters cast ballots by mail in 2020, which was double the number in the last presidential election. The 2020 election cycle saw USPS deliver 4.6 billion pieces of Political Mail and Election Mail, a 114 percent increase from 2016. As the election drew near, many Americans were unsure that USPS could handle a deluge of ballots. An August 2020 *Economist/YouGov* poll found just 32 percent of respondents had "a great deal" or "quite a bit" of confidence that USPS would deliver mailed-in ballots in time to be counted.

Ultimately, the Postal Service rose to the challenge. Management expanded its Election Mail Task Force to include leaders from postal unions and management associations, accelerated delivery of election mail when possible, and implemented measures such as pre-authorizing overtime and ordering extra trips to transport Election Mail. Moreover, in the week

before the election, the Postal Service expedited the delivery of ballots using Priority Mail Express, ran early collections, and opened retail counters that only postmarked ballots. The Postal Service delivered ballots from election officials to voters in an average of 2.1 days, and ballots from voters back to election officials in 1.6 days. From September 1 through November 3, 2020, the agency processed nearly 94 percent of Election Mail in time to meet its service standard – 11 percentage points better than the same period during the 2018 midterm election.

Social Unrest and Crime

Social Unrest Impacts the Postal Service

In the 2020s, social unrest affected the Postal Service’s operations. Two post offices in Minnesota were destroyed by fires set during a protest following the death of George Floyd while in police custody. Around the same time, the United States Postal Inspection Service (USPIS) began to monitor social media and message platforms for keywords such as “protest”, “attack”, and “destroy”. The program was not publicly known until a news report revealed it in April 2021. In response, lawmakers began scrutinizing the USPIS program – called the Internet Covert Operations Program (iCOP) – and the OIG later concluded that certain online searches by iCOP between February and April 2021 exceeded USPIS’s law enforcement authority. USPS disagreed with the conclusion but agreed to review its procedures.

Delivering Mail Despite Rising Crime Against Carriers

More than 2,000 assaults or robberies of postal carriers have been reported to USPIS since the year 2020. USPIS speculated that robberies and assaults against carriers may be fueled by a rise in economic hardship caused by the COVID-19 pandemic, as well as an influx of unemployment insurance checks in the mail. Thieves are often interested in arrow keys used by carriers to open blue collection boxes, apartment panels, and cluster boxes; once they have gained access to the mail, thieves can search for checks to fraudulently cash. Between March 2020 and February 2021, mail theft complaints increased by 161 percent, and in April 2022, the Postal Service suspended mail delivery in one California neighborhood after three carriers were assaulted in a period of several months.

Earning the Admiration of the American People

Even as it navigated a global pandemic, a reconfiguration of the postal network, and a rise in crime against carriers, the Postal Service proved its value to the nation during the first few years of the 2020s. The agency was highly regarded by many Americans who began to view it as an essential service. Social-distancing Americans appreciated Postal Service employees who continued to deliver mail and packages despite an increased risk of getting sick. Indeed, Americans rated the Postal Service as the highest ranked, most essential company/institution during the COVID-19 pandemic in a June 2021 Harris Poll survey. The public relied on letter carriers to deliver a variety of products that it once purchased in stores, and carriers were sometimes the only people that isolated Americans interacted with every day.

While the Postal Service performed valiantly during the pandemic, service quality suffered at times as the agency struggled with staffing shortages caused in part by sick or quarantining employees. For example, the OIG found that the Postal Service hit its service performance target for only three of 33 products in FY 2020. Service performance was hampered by a decline in employee availability and a worsening national truck driver shortage that made it more difficult to transport mail.

“The pandemic gave us the opportunity to demonstrate, and the country an opportunity to realize, our importance and prowess as a critical part of the nation’s infrastructure and as an essential service, not only in delivering important mail and vital packages but also with our work with the Administration on the fulfillment of COVID test kits. We are a better organization coming out of the COVID experience.”

– Postmaster General DeJoy

Meanwhile, customer satisfaction with the Postal Service's call center employees increased, even as agents — who were working remotely for the first time — fielded significantly more phone calls. Consumer satisfaction with the retail experience also improved during the first three months of the pandemic compared to the same period the previous year.

Conclusion

While only 22 years into a new millennium, the Postal Service has already experienced tremendous changes to its financial viability, mail volume, and postal operations. Electronic diversion and other national trends contributed to a shift in the postal mail mix towards packages, while postal legislation dramatically impacted the agency's finances. Meanwhile, the Board of Governors dwindled to zero presidentially-appointed governors during the 2010s before rebounding a few years later.

The Postal Service adjusted its operations to improve its financial situation and minimize its rising expenses. It negotiated with unions to increase its hiring of pre-career workers as a percentage of its workforce (and then negotiated to convert them into career employees), and developed an air transportation network with private carriers before recently shifting volume back towards surface transportation. It also made several attempts to optimize its retail, processing, and delivery networks — but efforts were often met with resistance from a variety of stakeholders, underscoring the importance of postal facilities to the surrounding community.

Despite these challenges, the Postal Service has worked to respond to the needs of the American people. It standardized retail units to improve customer experience and began offering Sunday delivery of packages. When Anthrax — and later, pipe bombs — were sent through the mail, the agency strove to secure the mail and protect its employees. It leveraged data and automation to offer mailers an electronic way to enter the mailstream and to offer both businesses and customers visibility into their mail's movements. And when a global pandemic spread throughout the nation, the Postal Service delivered packages, PPE, at-home COVID test kits, and mail-in ballots to a nation that was social distancing at home.

Since 2000, the Postal Service's business environment has shifted tremendously, impacting both its balance sheet and financial viability. In 2022, new legislation repealing some of PAEA's provisions led to a one-time noncash benefit of \$57 billion to net income after years of unsuccessful attempts at postal reform. Through all these changes, the Postal Service continues to play a critical role in binding the nation and remains a foundational institution in American society today.

Summary of Management Comments

Postal Service management did not submit comments in response to this white paper.

Appendices

Appendix A: Additional Information.....	25
Objective(s), Scope, and Methodology	25
Prior Coverage	26
Appendix B: Management's Comments	27

Appendix A: Additional Information

Objective(s), Scope, and Methodology

The objective of this paper is to provide a high-level overview of the Postal Service's operational environment since the turn of the new millennium. Sub-objectives include identifying major postal trends since calendar year 2000, and contextualizing these trends against the broader social, economic, and legislative environment within which they existed. The analysis covered CY 2000 through April 2022, unless otherwise noted.

To accomplish our objectives, the OIG conducted extensive desk research and held 20 interviews with 31 postal representatives and subject matter experts.

Desk research included an examination of USPS financial reports, documents from oversight agencies such as the Government Accountability Office (GAO) and the Postal Regulatory Commission (PRC), reports from the Congressional Research Service, papers from the OIG, and external reports and studies to identify major postal trends.

Interviews included:

- Postmaster General Louis DeJoy
- Postal Service personnel familiar with the agency's history since the year 2000
- A former Deputy Postmaster General
- Representatives from the National Postal Museum
- Representatives from the Government Accountability Office
- A representative from the Congressional Research Service
- A representative from the National Association of Letter Carriers
- Representatives from two think tanks that study the Postal Service
- Representatives from six mailing associations familiar with the history of the Postal Service since the year 2000, including members of the newspaper industry and the magazine industry
- The former Chairman and Chief Executive Officer of a global shipping and mailing company

This research was conducted in accordance with the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspection and Evaluation. We discussed our observations and conclusions with management on November 18, 2022, and incorporated their comments where appropriate.

Prior Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Assumptions and Metrics Underlying the Delivering for America 10-Year Plan</i>	To evaluate the Plan to determine if the underlying assumptions and projections were supported and whether metrics were established and reasonable.	NO-21-224-R22	July 6, 2022	\$0
<i>U.S. Postal Service Primer: Answers to Key Questions about Reform Issues</i>	To help explain why USPS' financial condition deteriorated so dramatically and to discuss key issues.	GAO-21-479SP	September 23, 2021	\$0
<i>Improving Operational Efficiency Using Informed Visibility</i>	To assess IV's expected operational efficiency benefits and identify the benefits and challenges plant management at processing facilities have experienced using IV.	RISC-WP-21-009	September 17, 2021	\$0
<i>Revenue and Costs in the Retail Network</i>	To better understand the financial performance of the retail network.	RISC-WP-21-003	April 12, 2021	\$0
<i>Service Performance of Election and Political Mail During the November 2020 General Election</i>	To evaluate USPS' service performance of Election and Political Mail during the November 2020 general election.	NO-20-318-R21	March 5, 2021	\$0
<i>Employee Safety - Postal Service COVID-19 Response</i>	To assess USPS' response to the COVID-19 outbreak regarding the safety of its employees.	NO-20-259-R21	November 20, 2020	\$0
<i>Postal Service Dynamic Route Optimization and Cost Savings Initiative</i>	To evaluate the cost savings for implementing the Dynamic Route Optimization initiative.	NL-AR-19-004	September 27, 2019	\$0
<i>U.S. Postal Service Processing Network Optimization</i>	To evaluate trends and practices the USPS uses to optimize its processing network.	NO-AR-19-006	September 9, 2019	\$0
<i>Mobile System Review</i>	To determine if the mPOS devices and application are managed in accordance with USPS policy and best practices.	IT-AR-17-009	September 21, 2017	\$0

Appendix B: Management's Comments

Postal Service management did not submit comments in response to this white paper.

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