

## U. S. Postal Service needs help

The U.S. Postal **Service** was begun in 1775 as a Government agency to insure affordable and dependable communication across the United States. The mail is delivered 6 days a week, everywhere in the U.S.

Below are pictures some of the more unusual mail deliveries.



*A mule train making the daily 16-mile round trip through the Grand Canyon to the Native American village of Supai.*



*Mail delivery in Magnolia Springs, AL*

At present, \$0.55 will ensure that a letter will be delivered in a reasonable amount of time to anywhere in the United States. In contrast, the cost of mailing a letter in much of Europe is about \$0.80.

The Postal service has been in the news lately as it is in need of a loan to meet future expenses and there is concern about its handling of the 2020 national election's vote-by-mail ballots.

High-speed sorting machines have been decommissioned and the new Post Office General has implemented regulations that have caused mail backlogs and delivery delays.

All of these changes bring up a lot of questions. But first let's try to understand how the Post Office functions.

Watch the movie on YummyMath's site (<https://www.yummymath.com/2020/usps-needs-help/>) that shows the incredible networks of the U.S. Postal system.

1. What observations can you make have after seeing the movie and learning about the organization of the Postal Service?

Let's try to figure out how to deal with some of the financial woes to this service that America enjoys.

We have gathered some historical data about the postal service's operation.

UNITED STATES POSTAL SERVICE - APRIL 9, 2020						
	2019	2018	2017	2016	2015	2014
Annual operating revenue	\$71.136 billion	\$70.62 billion	\$69.6 billion	\$71.4 billion	\$68.8 billion	\$67.8 billion
Total operating expenses	\$79.879 billion	\$74.45 billion	\$72.21 billion	\$77.09 billion	\$73.83 billion	\$73.18 billion
Mail volume	142.6 billion	146.4 billion	149.5 billion	154.3 billion	154.3 billion	155.5 billion
Package volume	6.2 billion	6.2 billion	5.7 billion	5.2 billion	4.5 billion	4.0 billion
Marketing mail volume	75.70 billion	77.3 billion	78.3 billion	80.9 billion	80.0 billion	80.3 billion
Retail revenue	\$12.7 billion	\$12.7 billion	\$12.9 billion	\$13.5 billion	\$19.2 billion	\$19.0 billion
Total delivery routes	231,807	231,843	228,483	229,104	226,777	224,365
Total vehicles	228,000	232,372	230,939	227,896	214,933	211,264

2. What do you notice?
3. What volumes or costs have risen?
4. What volumes of costs have fallen?
5. How has the deficit of total revenue minus operating costs changed over the years?

### ***Some of the costs for the U.S. Postal System***

- In 2006, Congress passed a law that imposed extraordinary costs on the U.S. Postal Service. The Postal Accountability and Enhancement Act (PAEA) required the USPS to create a \$72 billion fund to pay for the cost of its post-retirement health care for 75 years into the future. The post office had already set aside 278 billion dollars to fund its employee's retirements.

the USPS still needs about 70 billion dollars to fund its promised health care coverage for its employees.

- The Postal Service owns 228,000 light trucks that are, on average, 24.6 years old. These trucks, used primarily for door to door mail delivery, have no air condition, no air bags, are powered primarily by gasoline and get, on average, 10 miles per gallon of gasoline. It costs approximately 2 billion dollars per year to maintain these vehicles.

(It's hoped that approximately 180,000 **vehicles will be** purchased over five to seven years at a **cost** of \$6.3 billion.)

- Gasoline: In 2019 the Postal fleet used approximately 195 million gallons of gasoline and as the price of gasoline increased that expense increased dramatically.
6. When the price of a gallon of gasoline goes up \$.05 per gallon, how much new expense does that cause the Postal Service's resources?

Electric vehicles are expected to cost one-half of what gasoline vehicles cost to operate and maintain and, of course, would create less carbon in our atmosphere.

### ***Some of the suggested solutions for the U. S. Postal system***

7. The low income Treasury bonds that the service is required to invest their saved money in, yields about 0.15% interest. How much does that \$278 billion + \$72 billion amount earn per year?

8. If the Postal Service were allowed to invest that money in a more income producing way that yielded more like 4% yearly income, how much might the postal service earn from investing that money more wisely?
  - In February of this year, the House of Representatives passed a measure to eliminate the requirement of funding the health expenses for all employees for 75 years in the future and forgives all payments on which USPS has defaulted since 2010. The Senate has not yet brought that measure up for a vote.
  - The USPS could raise their postal rates. European countries spend more like \$0.80 to mail first class letters.
9. If the cost of mailing the billions of pieces of first class mail were raised from \$0.55 cents per 1 oz letters to \$0.80 cents per letter, how much more would the Postal Service make on first class mail delivery?
10. In your opinion, given that much of the Postal Service operation is governed by Congressional laws and mandates, should the Postal Service be expected to be self-sustaining or should the U.S. government help support its funding?

Mail delivery businesses (like Amazon, UPS, and FedEx) don't deliver everywhere. There are many areas where the U.S. Postal service finishes those deliveries by providing the last leg of a package's trip to an individual. In return, UPS and FedEx supply the postal service with cost-saving air transportation for their mail.

Sources:

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