

Senate Homeland Security & Governmental Affairs Committee hearing

Friday, August 21, 2020 - 9am

"Examining the Finances and Operations of the USPS During COVID-19 and Upcoming Elections"

Reported by [Ramona Lessen](#), Total Spectrum

NOTE: This report has been trimmed to comply with space limitations and modified to improve clarity.

Witness:

Louis DeJoy, Postmaster General, U.S. Postal Service

Members:

Ron Johnson (R-WI) – Chair

Rob Portman (R-OH)

Rand Paul (R-KY)

James Lankford (R-OK)

Mitt Romney (R-UT)

Rick Scott (R-FL)

Mike Enzi (R-WY)

Josh Hawley (R-MO)

Gary Peters (D-MI) – Ranking Member

Tom Carper (D-DE)

Maggie Hassan (D-NH)

Kamala Harris (D-CA) - did not participate

Kyrsten Sinema (D-AZ)

Jacky Rosen (D-NV)

Opening Statement – Postmaster General DeJoy ([testimony](#))

Senator Ron Johnson (R-WI) (opening statement): I thank Postmaster General DeJoy for being with us. Unfortunately, he has found out that it is a thankless task and has been subjected to character assassination. I hope we can stick to the facts today. The Postmaster General is not appointed by President Trump. A bipartisan Board of Governors engaged a professional search firm; the bipartisan board unanimously approved Mr. DeJoy. He reports to the board, not the President. The postal service has \$15.1 billion cash on hand following a better performance during the pandemic. Due to a surge in package delivery, it is \$1.5 billion higher this year than last. Long-term for the postal system is bleak and has been for years. First class mail volume has declined dramatically. It does not have the flexibility to make dramatic reductions. Pension fund and health care liabilities of \$120 billion are now unfunded. Taxpayer bailout has been proposed in the past. For years, GAO inspector general reform fixes have not been implemented. One highlighted is the out of control use of overtime. \$4 million in overtime costs - those costs represent 85% of the USPS losses. USPS has more than enough capability to process votes.

Senator Gary Peters (D-MI) (opening statement): We have a lot of questions for you. We have had a health and economic crisis. Now we are facing a mail crisis. For many communities, the postal service is a lifeline, especially in communities where they don't deliver. Mr. DeJoy, you have not delivered. For two centuries, we have been able to rely on the USPS. This has not been the case during your two months as the head of the organization. Your new implementations have caused delays. In July, I started hearing reports about how your changes

were slowing down the mail. Despite multiple requests which took more than a month to respond directly. You have brushed off these delays. Let me tell you about the people who bear the brunt of your decisions. (Cited individual constituent issues). I have received more than 7500 reports of delays in just 2 weeks. Mr. Chairman, I enter into the record what my investigation has found. Mr. DeJoy, your decisions have cost Americans - you owe them an apology and some clear answers today. Can the damages you have done already be reversed?

Q/A

Sen. Johnson: Let's talk about the election notice sent out by the general counsel before you became the head and the one after. What is that notice?

DeJoy: I emphasize that there have been no changes in any policies regarding election mail. As you stated, this letter was sent out before my arrival to educate state election boards so American people have an awareness how to successfully vote. This was sent out by the former Postmaster General. During the pandemic, there was concern about the increase in volume, so we wanted to emphasize the mail processing procedures of the USPS. We have established a task force and want to assure the American public that we will have a successful election.

Sen. Johnson: Does the USPS have more than enough capacity to handle delivery capabilities?

DeJoy: We deliver 432 million pieces of mail a day. Mail volume is down 13-14% this year. We will have additional resources available on standby. If everyone complies with the mail process, there will be no issue. There is slack in the system that will carry a good part of deviations. The USPS is ready, the Board of Governors are ready. We have a bipartisan committee to interact with us moving forward.

Sen. Johnson: Retirement of blue boxes. 1st class mail is down - almost cut in half. If you have declining businesses, address the box retirement and storing machines.

DeJoy: There are 140,000 collection boxes. Over the last 10 years, about 35,000 have been removed. It is a data driven method. Since my arrival, we have removed 700 collection boxes - and I had no idea that this was a process. When I found out about it, we looked at the excitement that the box retirement was causing and stopped it. It is a normal process - been around 50 years. The last 10 years, we have pulled back 50,000 of the machines they are referencing. We evaluate our machine capacity. The mail volume is dropping very rapidly - especially since COVID. Package processing is increasing. We have 100's of these machines everywhere and no drain on capacity. It is not a critical issue.

Sen. Johnson: Tell us about the operational changes you were making - excess costs, making sure that the system adheres to time deadlines.

DeJoy: When I arrived, I spent the first three weeks studying the organization, trying to get an understanding about how decisions have been made and how the mail moved through the process. I spent hundreds of hours analyzing the process. One of the first big changes I embarked upon was how to get the management team to align with my analysis. We reorganized the organization on process improvements, new revenue, and costs. The other change, I received a report from the Office of the Inspector General on late deliveries. I needed to look at positive impact on cost savings. We run 45,000 trips a day and 5,000 a day in extra trips. FedEx and UPS run on time. Transportation network is the glue that keeps everything

together. We had all area VP's involved with this change. I submitted my report - we went from 88% on-time to 97% on-time delivery. Late trips dropped from 3,500 to 600 a day. Within a week, we made that change. Our production process was not aligned with this new schedule. So, we had to delay some mail. But the change was to merge with our transportation schedule. This is a key to improving our service.

Sen. Peters: The men and women who work at USPS do so with professionalism and integrity. These essential workers are doing a great job. As we have been going through this issue, they are frustrated with recent policies. I have received over 7,500 complaints. I shared stories of hardships. You acknowledge that some of the changes have delayed the mail and people have been hurt.

DeJoy: I recognize the quality capability of the USPS workers. I'm here to help.

Sen. Peters: You have announced suspending some of the changes. I need yes or no responses. Are you suspending extra trips?

DeJoy: No.

Sen. Peters: You are limiting overtime - are you or is that suspended?

DeJoy: We never limited overtime. OT ran 13% before me and it is 13% now.

Sen. Peters: Post Office closures?

DeJoy: There was a process for closures and there was a reaction and so I suspended that process.

Sen. Peters: Will processors be brought back?

DeJoy: No, not necessary.

Sen. Peters: Under oath, you haven't taken an action regarding political situations.

DeJoy: I was greatly concerned about all of the political noise we were hearing. I have had weekly reviews since before all of the excitement came out. The insinuation is outrageous.

Sen. Peters: Will you allow election mail to move as first class mail?

DeJoy: We will deploy any election mail in some cases in advance of first class mail.

Sen. Rob Portman (R-OH): This is an important and timely hearing. During the pandemic our letter carriers are more appreciated than ever. There has been a lot of misinformation out there. One fact is that you started 67 days ago. Blue boxes and sorting machines - that plan started before you got there. That's helpful to know. You were appointed by the board of governors, a bipartisan group. You have a passion for logistics. Long-term for USPS is not pretty and that has been true for a long time. Change requires legislation. Everybody knows you are in trouble. A lot of this comes back on Congress. Immediate issue is to assure that the election works well. We want an election that is well-run and all votes are counted. Do you support absentee voting and voting by mail?

DeJoy: I voted by mail for a number of years. We will process every ballot on time. Yes, I support it.

Sen. Portman: What advice do you give voters?

DeJoy: Vote early.

Sen. Portman: Important to tell people. If you request absentee ballot be sure that it can be delivered on time. I am concerned about delayed delivery of mail (cites a veteran who didn't get his prescription). Medications shipped through the mail - how can we correct problem?

DeJoy: We are working feverishly to get our delivery process current. We serve 161 million people. We trying to improve on the process.

Sen. Tom Carper (D-DE): We get a constituent service report every week of complaints about postal service. They coincide with when you began in the office. It is all over the country. Maybe it is a coincidence. We have a President who wants to suppress the vote. The President wants to get rid of voting by mail. People are skeptical. After the public uproar about delays and failed delivery of mail. Give me yes/no - are you considering dramatic services changes that we just learned about last night?

DeJoy: Yes.

Sen. Carper: Do you support the federal appropriations for the USPS for COVID related losses?

DeJoy: Yes.

Sen. James Lankford (R-OK): Appreciate you have stepped up to lead an organization. Congress has not done its job. You have taken work from the Inspector General - people are beating up on you for doing the work to meet the changes that others have determined need to happen. Were you locking up boxes in Burbank to prevent people from voting?

DeJoy: The stories I have heard are remarkable. I have nothing to do with collection boxes.

Sen. Lankford: So any boxes that have been retired in the past 10 years - are now your responsibility.

DeJoy: We have stopped reducing postal hours, stopped shutting down machines and stopped removing blue boxes.

Sen. Lankford: Will that change after the election? Are we still going to work on efficiency within the USPS?

DeJoy: We need to be self-sustaining. Now we are not. We have a \$10 billion shortfall. There is a path that we need to walk with the help of the Congress with new strategies. We have \$10 billion gap to bridge. Alaska bi-pass plan - that is on the table. If you just throw \$25 billion at us, we will be in the same situation. Our mission is to be self-sustaining. We need help from Congress.

Sen. Lankford: Congress has been unwilling to act on USPS reforms. There is a fear that any change will disrupt distribution areas in a state I live in or PO in my area, so it has been blocked. USPS has made severe cuts and there is concern that ballots won't be able to get out. A letter was sent out encouraging election commissions to get ballots out early. Do you have the capacity for Christmas and Mother's Day on-time delivery?

DeJoy: Yes, we have capacity.

Sen. Maggie Hassan (D-NH): Will you commit to commit 95% of election mail within 1-5 days?

DeJoy: Yes.

Sen. Hassan: Sorting machines. In Manchester, four sorting machines have been taken out of service. Manchester has only one machine that has been sold for scrap. You have suspended the process.

DeJoy: I didn't know about that.

Sen. Hassan: I need you to commit to a plan to make sure that every piece of mail will be delivered on the day it arrives. Will you commit to looking into this and get back to me in writing about getting these sorting machines back up and running?

DeJoy: I will respond to your request.

Sen. Rick Scott (R-FL): Talk about why you are uniquely qualified and why you were picked by the board.

DeJoy: There are two things, two actions I have taken. Board will have to speak to their evaluation of me. I have experience with logistics of large operations, managing big projects for large corporations. Also, my commitment to public service, my engagement in community and the nation. I did not come in with a team. I work with the existing management team in trying to move forward to have improvement in service and grow revenues. That is something I have done all my life. There are accusations that this is not a business. When you have to deliver service, we need to take actions on meeting costs. I have a plan for the success of the USPS. If you look at where our reach is on a daily basis, it is impressive.

Sen. Scott: In your business life, did you have to perform for your customer?

DeJoy: Our contracts are 99.98% on performance. The attitude and energy is here at the USPS. We have not had the alignment and expectation to do that. I bring that to the table.

Sen. Scott: Do you need a massive bailout to get mail out on time for the election?

DeJoy: We need reform and change in Postal Regulatory Commission (PRC) regulation. We need to be reimbursed for our costs. We still deliver to 99% of our people. We continue to do what we are supposed to do at a significant cost impact. We need a sustainable model. In this case, we need some compensation.

Sen. Kyrsten Sinema (D-AZ): This past week, my office has heard from over 18,000 people in Arizona. Arizona has led the way on safe mail voting over the years. Prescriptions take too long to arrive. It is critical that people get the service they rely on. 2.4 million ballots will be processed in Arizona before the election. I have been working with the Secretary of State. Will local postal managers be authorized to make decisions to deliver ballots so that the post office doesn't fall behind?

DeJoy: Yes, aggressive efforts.

Sen. Sinema: What process do you have?

DeJoy: We have had 50,000 contacts with election officials around the country. We are making videos online with the union leadership to communicate our commitment. We will continue to work with the state election boards. We have a committee on the postal board to oversee what we are doing. In September, we will send a letter to every American about our process for the election. Appreciate the question. I feel good about the whole organization, and am proud of what we are doing.

Sen. Sinema: Postal processing is critical. Is the USPS capable of processing election mail?

DeJoy: We are not making any changes until after the election.

Sen. Sinema: Re: Cherry Bell processing plant - if there are consolidations or closures, would you require new analysis before consolidation or closure?

DeJoy: I'm not totally familiar with it, there is a process we go through before closing a facility. If that facility gets on the list, I will reach out to you in advance. It is not an easy thing to do. We will keep you posted.

Sen. Sinema: We want to make sure decisions are made with up-to-date data as there has been a large growth in that area. Please take into account negative customer experiences as you make changes in the future.

DeJoy: We will.

Sen. Rand Paul (R-KY): Thanks for taking a thankless job and dealing with an impossible problem. My opinion is to not give you more money until there is reform. We need fewer employees. Mail keeps dropping, so you need fewer employees. Need to look at easiest way to receive personalized service. People should be told of the problem of massive deficits. List some of the legal impediments you have. What would you do that you are unable to do because you are a government entity?

DeJoy: I'm more optimistic than you are at our ability at getting to a close break even. The legislative reform - integration of Medicaid and pension reform. I would like more pricing freedom. I would like unfunded mandates to be addressed. We need to adhere to our schedules that will improve performance. Once we are at 97% on-time we will generate new business revenue. We have a plan on how to pull this off.

Sen. Mitt Romney (R-UT): I appreciate the thousands of letter carriers. The USPS has made our voting system very reliable. Reliable valid voting is essential and with COVID, mail is essential to our voting system. Do you have a high degree of confidence that ballots mailed seven days before the election - are you confident that those ballots would be received?

DeJoy: Extremely highly confident that they will be processed.

Sen. Romney: I hope people who see this hearing, that if they get their ballots in seven days before the election, the person running the USPS is highly confident that they will be processed on time. Are delays more prevalent in rural areas?

DeJoy: Employee availability has dropped by 4%. Hot spots like Philadelphia, Detroit - it is as high as 25%. We have days where we are short 200 carriers.

Sen. Romney: I look forward to seeing a plan developed by you for how we can get the USPS to be more economically managed but maintain a level of service. I expect you to be up to the task. I am anxious that Congress demand legislative changes. You are welcome in our committee to let us know what we need to do to accomplish what you need to do.

Sen. Josh Hawley (R-MO): Will the USPS have enough cash on hand through the November election?

DeJoy: Yes.

Sen. Hawley: Your testimony is that the USPS has the resources and has what it needs to deliver the mail through the November election, right?

DeJoy: Yes. Plenty of cash to operate through the election.

Sen. Hawley: What additional cash moving forward?

DeJoy: We need legislative reform. \$10 billion cost on COVID expense. We are negotiating with Treasury to get long-term financing to buy new vehicles.

Sen. Hawley: Re: CARES Act - when the \$10 billion (loan) would be made available to you. Give us an update.

DeJoy: We have the terms of agreement. When we request it, the issue of borrowing money is how to pay it back. We are evaluating this.

Sen. Hawley: What would you justify it for?

DeJoy: Cannot use it for capital but can use for operating costs.

Sen. Hawley: You would like additional authority toward vehicles.

DeJoy: We have many 30-year-old vehicles. The loan is not for capital and longer term in 5 years.

Sen. Hawley: Of the reforms you implemented, what changes were in response to the OIG findings?

DeJoy: They were a remarkable gift. The system was out of balance. 40,000 trucks a day were running - once you get below 90%, you can't depend on anything. Getting the transportation network aligned and saving \$1-\$2 billion was a Christmas present.

Sen. Hawley: Missouri has a large amount of rural areas, so it is vital to me that any reform going forward preserves rural delivery service. Are you committed to protecting rural delivery and rural post offices?

DeJoy: We have an unbelievable asset in our letter carriers.

Sen. Johnson: You talk about the transportation being out of sync. You said your on-time trips went from 35,000 to 39,000 - so it went from 89% to 97%. If the letters are not getting to the trucks - they go in the next day's delivery.

DeJoy: The aligned schedule - there are a lot of imbalances as we went through the process. The big thing is to get transportation schedule aligned. Mail on the truck is also late mail. We found an imbalance.

Sen. Johnson: You came in and identified process breakdowns and made improvements. COVID is here. Delivery delays are related to COVID. In theory, your new process will improve going forward.

PM: We had a 4-5% on our service level. Once that is aligned, we will have a more high-performance system. This is doable.

Sen. Carper: We have heard about reforms that need to be made. Fleet update. There is ability to come up with a bipartisan consensus. Communicate and compromise. I reached out to the Postmaster General for weeks and couldn't get a call back. You need to be willing to communicate. I urge you to communicate. Reform is a shared responsibility.

Sen. Peters: Thank you for appearing before us on short notice. I have been hearing real concerns. These are people coming forward talking about delays, medicine not available. These complaints are real. It is the job of the Senators to be sure that Americans are being heard.

Sen. Johnson: I don't deny that many of these complaints are legitimate, but there are others that are being made for political reasons. I look forward to separating the fact from the fiction.

There is a lot of false narrative on the issue. Let's work in good faith. Thank the USPS employees for their services.