

Defending the mailbox from privatization



Fredric V. Rolando

We have always won the debate over privatization because, warts and all, the Postal Service has always had the strong support of the American people. The Post Office's massive value to the economy and to our democracy has remained evident to all. Today the debate is different and, in some ways, more dangerous. In recent years, the Postal Service's adversaries have sought to advance the privatization agenda indirectly by damaging its capacity and crippling the Postal Service's ability to adapt to the Internet age.

The battle over Saturday delivery is the best example—we've defeated more than a dozen attempts to end six-day delivery since 2010. Had we not done so, the Postal Service would have seen many companies emerge to provide Saturday service to the millions of business customers who say they need it—and many new competitors demanding access to U.S. mailboxes, not just on Saturday and Sunday, but every other day of the week as well. The resulting cream-skimming competition (serving only the profitable areas and leaving the high-cost rural areas and the low-volume city areas to USPS) would have devastated the Postal Service financially—threatening not only affordable universal service, but also the jobs of tens of thousands of postal employees.

Recently, one of the Postal Service's biggest competitors (and, ironically, one of its biggest customers) launched a new indirect attack on the Postal Service. This time the target was not Saturday delivery, but the exclusive access to the mailboxes of the nation's households.

United Parcel Service (UPS) financed and helped put together a study with a Washington, DC-based economic consulting firm called Sonecon, LLC. The study argues that the Postal Service receives subsidies from the federal government worth billions annually, thanks to its monopoly on letter mail, its exclusive access to U.S. household mailboxes, favorable tax treatment, and other advantages (customs processing, exemption from parking tickets, etc.). Of course, the Postal Service has not received a dime in taxpayer funds in decades, but the paper claims that the value of allegedly preferential treatment to the Postal Service exceeds \$18 billion annually.

This is all recycled nonsense—UPS has always made this argument, even though a 2007 investigation by the Federal Trade Com-

mission found that the legal burdens placed on the Postal Service by the federal government far exceed the benefits of the monopoly and other favorable provisions in federal law. Indeed, it concluded that the Postal Service's unique legal status "likely provides it with a net competitive disadvantage versus private carriers."

What's new in the Sonecon/UPS report is the bogus claim that exclusive access to American mailboxes is worth a whopping \$14 billion annually. That's right—the UPS consultants attribute more than 75 percent of these \$18 billion in alleged indirect (non-cash) subsidies to exclusive access to the mailbox. The argument seems to be two-fold. First, it's unfair to UPS and other private package delivery companies that they can't put the packages they deliver into Americans' mailboxes. Second, it's unfair that because the Postal Service is already going to households to deliver mail, it can also deliver packages more cheaply.

Leaving aside the fact that the Postal Regulatory Commission officially concluded that the value of the mailbox rule is worth a fraction of the \$14 billion that Sonecon claims, and leaving aside the benefits the mailbox rule provides to the sanctity of the mail and to our ability to preserve affordable universal service, neither of the study's arguments holds water. First, the vast majority of packages delivered by the private companies (and indeed, increasingly by the Postal Service) don't fit into U.S. mailboxes. Second, complaining about the lower incremental cost of delivering packages to homes already being served for mail delivery (which economists call *economies of scope*) is like competing NBA teams complaining that LeBron James is too fast and too strong or that Anthony Davis is too tall.

The existence of economies of scope is an inherent attribute of the Postal Service's unmatched last-mile delivery network—one that has existed since city delivery was invented in the 1860s, long before UPS and FedEx arrived on the scene. In fact, the Postal Service's economies of scope is a benefit to UPS and FedEx, not a burden. It's why FedEx's Smartpost division and UPS Surepost's division are among the Postal Service's largest customers. We do the last-mile delivery for these companies in the neighborhoods where we do it because it's the most economic and efficient way to provide the service.

Bottom line: Even if we bought Sonecon's bogusly inflated figure for the value of the mailbox statute, which we don't, nobody benefits from the Postal Service's economies of scope more than UPS and FedEx.

As the battle over privatization continues, we will have to fight the usual ideological battles. But we will also have to contend with more subtle regulatory battles as well. One thing will never change: NALC will fight for a strong and viable Postal Service, no matter how powerful our adversaries.