



USPS Reform in Name Only

The Postal Service Reform Act does not fix any core problems of the troubled government corporation.

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The House recently passed the Postal Service Reform Act with bipartisan support. The Senate is expected to take up the bill in March. The bill bails out the U.S. Postal Service's retirement health plan and entrenches six-day delivery. That is not "reform," as it does not fix any core problems of the troubled government corporation.

The main problem facing the USPS is that first-class mail volume has fallen 49 percent since 2001 because of the rise of email, online bill-paying, and other electronic services. The USPS has a monopoly over first-class mail, so the decline has contributed to more than a decade of financial losses at the government-owned corporation.

Private companies facing falling demand cut costs and improve efficiencies, but Congress limits the ability of the USPS to do likewise. The House bill relieves the USPS of more than \$50 billion in worker retirement health costs at taxpayer expense, but it doesn't trim the excessive pay and benefits of its unionized workforce.

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The House bill requires the USPS to deliver mail to every address in the nation six days a week, but that is wasteful and unneeded because there are fewer letters, advertising brochures, and periodicals in your mailbox these days, and of the ones that still do come, few are time-sensitive. Congress has also prevented the USPS from closing nearly any of its 31,000 locations, even though thousands of them serve only a handful of customers per day.

European governments have embraced real postal reforms in response to declining letter volumes. A USPS inspector general study found that seven out of eight foreign systems it examined had cut, or were planning to cut, delivery frequency. Sweden recently cut letter delivery to every second day. Some countries, including Sweden and Germany, have closed nearly all of their standalone post offices and moved retail services into grocery and convenience stores.

Such reforms, if adopted here, would reduce costs and benefit the environment. Closing thousands of low-volume post offices would cut energy and land use, and cutting delivery frequency would allow the USPS to reduce its armada of 230,000 trucks.

Unfortunately, nostalgia for a bygone era is a barrier to real reforms. House Speaker Nancy Pelosi recently called the USPS “a beautiful thread that continues to weave together communities across America.” But what is this beautiful thread? Advertising or junk mail now accounts for 62 percent of household mail volume aside from packages, and the second-largest type of mail is bills and other business statements. Person-to-person letters have fallen to just 2 percent of mail volume.

As mail volumes have fallen, USPS supporters want the company to diversify. The USPS has grown its package-delivery business, which now accounts for 42 percent of total revenues. Further diversification would be a good thing for the USPS, but it would distort the broader economy because the USPS enjoys unfair tax and regulatory advantages over private companies. While the USPS pays no federal, state, or local taxes, for example, FedEx pays about \$1.8 billion a year.

The USPS’s advantages create market distortions, which will worsen if its package business grows or if it diversifies into activities such as grocery delivery and banking. The House bill takes steps toward USPS diversification, and we are likely to see more such efforts as mail volume declines further.

How can we allow the USPS to diversify and save itself, while also creating a level playing field with other companies? The answer is privatization and open-market competition.

Privatization would give the USPS the flexibility it needs to cut costs and access capital markets to fund investments. It would improve governance by taking politics out of decision-making. And it would create equal tax and regulatory treatment between USPS and competitors such as UPS, FedEx, and Amazon.

European Union member states have opened their postal markets to competition, and numerous countries have privatized their mail carriers, including Germany, the United Kingdom, and the Netherlands. The European carriers serve all addresses, but they generally have more limited and sensible rules for delivery frequency than the USPS.

Speaker Pelosi waxes eloquent about our postal system being in government hands for 230 years, but the Royal Mail was in government hands for almost 500 years before the United Kingdom successfully privatized it a decade ago. Pelosi says that the USPS is a “model for the world,” but that is no longer true. A 2019 study of international postal systems found that the privatized “Deutsche Post DHL is the most admired postal operator in the world.”

In sum, the USPS is not a model, and today’s “beautiful thread” is the Internet, not the junk mail that dominates our mailboxes. The postal bill in front of Congress does not deliver real reforms.