



## Myth vs. Fact: Postal Package Delivery Services

**MYTH: Taxpayers subsidize the Postal Service, including its package delivery services.**

**FACT:** The Postal Service receives zero taxpayer subsidy. Postal operations are funded by customers who pay to send letters and parcels – and who would pay substantially more if rates increased.

**MYTH: The Postal Service loses money on its package delivery business.**

**FACT:** The opposite is true: package delivery is a large and growing money-maker for the Postal Service. The Postal Service is required by law to ensure that the prices for its package delivery services cover their costs. The Postal Service's independent federal regulator, the Postal Regulatory Commission ("PRC") ensures that this requirement is met. In FY 2019, competitive product revenues totaled over \$24 billion and contributed more than \$8.2 billion profit to the Postal Service's overall bottom line. These earnings help keep the Postal Service in business and avoid the need to increase prices for other postal services, like letter mail.

**MYTH: The Postal Service has cut money-losing deals with certain shippers that set prices below the actual cost of delivery.**

**FACT:** Like many businesses, the Postal Service negotiates customized pricing and service arrangements for its best customers – in this case, high-volume shippers. But nothing in these agreements can change the legal requirement that the Postal Service's prices for each package delivery service must cover its costs. Far from losing money for the Postal Service, these arrangements with high-volume shippers actually bring profitable package volume to the postal system – helping to put the Postal Service on more sound financial footing.

**MYTH: The Postal Service loses \$1.46 on each package it delivers.**

**FACT:** The legal requirement that prices for Postal Services package delivery services must cover their costs means that this simply can't be true. References to a per-package loss appear to rely on a biased, nonpublic research paper whose authors seek to do business with the Postal Service's private competitors. The paper's finding and methodology have not been adopted by any neutral party or public agency.

**MYTH: Letter mail is subsidizing the Postal Service's package delivery business.**

**FACT:** The Postal Service's package delivery revenue far exceeds the cost of service. In FY 2019, competitive product revenues totaled over \$24 billion and contributed more than \$8.2 billion profit to the Postal Service's overall bottom line. Far from requiring a subsidy, the Postal Service's package delivery business is in fact helping to support institutional costs, including mail delivery.

**MYTH: The Postal Service is competing unfairly against private carriers.**

**FACT:** Congress created statutory guardrails to ensure fair competition in the package delivery business, including a legal requirement for each package delivery product to cover its own direct costs and an appropriate share of overhead. The Postal Service's independent federal regulator, the PRC, is charged with reviewing all prices to ensure this legal requirement is met. Federal courts have consistently upheld the PRC's findings and approach. Moreover, the Federal Trade Commission has repeatedly concluded that the Postal Service does not enjoy a competitive advantage in package delivery.

**MYTH: Small businesses and consumers won't notice if the Postal Service is forced to raise its prices for package delivery.**

**FACT:** Forcing the Postal Service to raise its prices for package delivery services will harm Main Street businesses and consumers. Not only will these customers bear the burden of higher Postal Service charges, but an independent analysis has shown raising prices would create a \$15 billion "revenue opportunity" for private carriers. In other words, if the Postal Service is forced to raise prices, private carriers can and will charge more. This could be especially harmful for small businesses and consumers in remote and rural areas, where private carriers already levy "rural surcharges" in over 20,000+ ZipCodes. Raising prices would eliminate the Postal Service ability to serve as an economic lifeline for customers with no affordable alternatives.

**MYTH: The Postal Service is a dysfunctional government monopoly and should be privatized like some other postal systems around the world.**

**FACT:** The U.S. postal system is the world's largest and most complex. Six days a week, the Postal Service connects over 159 million delivery addresses, in every corner of every state. Its services contribute more than \$1.4 trillion to the U.S. economy, and support over 7.5 million jobs. Like many organizations of similar size and complexity, the Postal Service has areas where it needs to improve. But privatization is not the solution to these issues. The experience of postal privatization in other countries is mixed at best; in many countries, service degradation, post office closures, and price increases followed privatization. In others the cost of universal services following privatization had to be paid by taxpayers. There are ways to give the Postal Service the tools and incentives to improve its business without changing its status as an essential public service.