



TASK FORCE RECOMMENDATIONS THAT WOULD HARM CONSUMERS AND BUSINESSES BY LIMITING ACCESS AND FORCING THE POSTAL SERVICE TO INCREASE PRICES ON PACKAGE DELIVERY SERVICES SHOULD BE REJECTED

Implementing proposals to limit access or force the Postal Service to raise prices on package services above competitive levels - directly or indirectly by changing costing rules or creating a separate package business - would needlessly reduce efficiency and impose costs on businesses and consumers. The Package Coalition looks forward to working with policy makers to support common sense reforms and to sustain affordable postal package delivery services for all Americans.

Forcing the Postal Service to limit access to postal package delivery services would undermine the Postal Service's role as an essential public service. Affordable universal package delivery services are critical to the U.S. economy. Yet the Task Force advocates in favor of a diminished universal service obligation with reductions in geographic coverage, delivery frequency, and content. Forcing the Postal Service to adopt these changes could undermine the long-standing, fundamental purpose of the postal system as a means to “bind the nation” by facilitating commerce and to connect all Americans. If implemented, these changes would disproportionately harm businesses and consumers in remote and rural areas of the country who do not have affordable alternatives. The universal service obligation of the Postal Service should reflect the needs of American consumers and businesses that use the postal system to participate in and grow the economy by creating jobs.

Task Force proposals to change the costing rules or separate the package delivery business would needlessly reduce efficiency and result in increased costs on businesses and consumers. Because the Postal Service provides access and delivery services to every household, every day, it can pass through the benefits of its network efficiencies in the form of lower prices for consumers and businesses. The current costing rules reflect the economies of scale and scope inherent in the Postal Service's nationwide delivery network. An independent federal regulator, the Postal Regulatory Commission, approves the costing methods. Federal courts have long recognized that the Postal Service's approach to costing is proper. The Task Force recommendations - requiring fully distributed costs or separating its package business - are not new ideas. The same ideas were considered and rejected when Congress was developing the 2006 postal reform legislation. They were rejected because they would be bad for American consumers and businesses and bad for the postal system. The only beneficiaries of these changes would be the Postal Service's large private competitors.

The Task Force report concedes that there is no direct subsidy of package delivery services. The Task Force recommendations calling for changes that would force the Postal Service to raise prices for its package delivery prices above market levels should likewise be rejected. These recommendations are based on the false premise that the Postal Service's letter mail business subsidizes its package delivery business. In fact, financial contributions (profits) from package delivery services are growing and are increasingly necessary to help maintain the Postal Service's universal network. In FY2017 the Postal Service's package delivery business contributed \$7 billion (above costs) to help defray the cost of mail service. Even the Task Force report concedes that there is no direct subsidy for package delivery services. Today, the Postal Service has the pricing flexibility to respond to changes in its package delivery services business. Any proposed changes that artificially limit the Postal Service's ability to set prices in response to market changes should be rejected as bad for consumers and businesses, and bad for the postal system.

Existing legal protections ensure fair competition in the package delivery business. The statutory guardrails that Congress put in place are working and should not be changed. The report concedes that existing law requires that all USPS package products (including all negotiated agreements) cover their costs. The Postal Regulatory Commission has consistently held that this legal requirement is being met and has recently proposed to enhance its market monitoring activities. The Postal Services package delivery services business is also subject to the antitrust laws administered by the U.S. Federal Trade Commission (which has separately found USPS has net economic disadvantage relative to private competitors) and the U.S. Department of Justice. The report cites no evidence of abuse and no violations have ever been alleged.

The Postal Service's package delivery services are growing and profitable. The Task Force report claims that the Postal Service is pricing to maximize volume, not revenue. In fact, the data included in the Task Force report directly contradicts this claim. As the report concedes, the Postal Service has experienced sustained growth in volume, revenue and contribution (profit) of its package delivery business. The data convincingly show that the Postal Service has substantially increased the profit from its package delivery services by increasing prices on growing package volumes. As the report also concedes, package delivery services now account for 30 percent of total USPS revenue, up from 11 percent in FY2007. The report's repeated assertion that the Postal Service should set market-based package prices ignores the fact that today almost all package delivery services products have market-based prices, except for a small volume of package products for which Congress has mandated preferential pricing (for example, nonprofit parcels and Alaska Bypass shipments).