|  |
| --- |
| [Would Life Be Grim without Postal Shipping?](https://www.ecommercebytes.com/C/abblog/blog.pl?/pl/2019/6/1561258101.html" \t "_blank)  By: Ina Steiner |
|  |

## What would happen if the USPS raised prices for shipping packages, or was forced to stop delivering packages altogether? Those are questions the Package Coalition addressed in a tweet, painting serious consequences of life without USPS package delivery.

## For small online sellers, the picture is especially concerning since they have little bargaining power as individual shippers, and so many rely on the Postal Service for shipping packages.

## The Package Coalition, of which Amazon and the National Retail Federation are members, pointed to analysis by a consulting firm [SLS Consulting](http://www.sls-consult.com/SLS_Consulting,_Inc./About_SLS.html%E2%80%8F) that estimated the cost to American households of such changes to be between $16.2 billion and $35 billion annually - with between half and all of it benefiting the shareholders of UPS and FedEx.

## The Package Coalition tweeted the following on Wednesday:

## *"Members of the #PackageCoalition rely on affordable, reliable package delivery services to grow their business, create jobs and exceed customer expectations. Raising prices for package delivery will hurt small businesses and consumers. More info here:* [*http://ow.ly/zEpA50iYuQt*](http://ow.ly/zEpA50iYuQt)*."*

## The SLS Consulting report stated that the Postal Service is under pressure to increase prices for packages and said some are trying to force the USPS to exit the market completely. What would be the impact of such moves?

## "It is difficult to confidently predict competitors' responses to increased prices or market exit," the report stated. "Under these circumstances, scenario analysis provides a useful framework for discussing policy options."

## In the first scenario, the consultants imagine the impact of a USPS price increase of shipping rates of $1.50 and say it's reasonable to assume those costs would be passed on to households - about $16.2 billion.

## In the second scenario where the USPS completely withdraws from the market under new legislation requiring it to do so (*remember, this is all hypothetical*), the consultants layout what might happen: "UPS and FedEx don't increase their prices but all shipping that used to run through the Postal Service now switches to them. Prices for these shipments reflect average current price differentials in a variety of markets, about $5 a piece. Of course, if this number turned out to be only half of that, impacts would be reduced by half."

## In that case (scenario two), the impact of the USPS withdrawal would cost American households about $25 billion dollars annually, it estimated.

## The third scenario is the same as the second, except that without competition from USPS, UPS and FedEx increase their own prices by a dollar. "All shipping that used to run through the Postal Service now switches to them. Prices for these shipments reflect average current price differentials in a variety of markets, about $5 a piece, plus the $1 additional increase."

## In that case, it estimates that a withdrawal of USPS from the package business and a resulting price increase from rivals would cost American households about $35 billion annually.

## You can read the full report published on [the Package Coalition website](https://www.packagecoalition.org/resources/file/sls-package-market-analysis.pdf) (PDF file).

## The fact that companies are seriously contemplating a world without USPS shipping is eye-opening, and there's no doubt small sellers would be impacted.

## However, it's worth noting the analysis leaves out one wildcard: the possibility that Amazon could open up package-delivery to online sellers.