## Postal Service Package Delivery Limits Taxpayer Subsidies

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The Postal Service has delivered small packages since the founding of the republic and in 1912 Congress specifically authorized and directed the service to deliver all sorts of packages to our homes and our offices. Unfortunately, thanks to recent proposals in Washington, Americans might find fewer packages coming in the mail and more coming from private companies. More important, if that happens expect shipping prices to jump across the board.

Washington policymakers are pushing the Postal Service to increase dramatically the prices it charges for package deliveries. Notably this business is one of the only “profitable” activities the post office does. Normally increasing its prices might make sense as a means to increase revenue to the Postal Service, but the opposite is likely to happen.

An increase in price alone without any improvement in value or service is unlikely to bring in more revenues to the post office. Instead, a substantially higher price will mean customers — households and companies — will turn to other companies like Federal Express and UPS for parcel delivery. When that happens, the Postal Service’s profits will scatter as well.

Consider, what would you do if you could pay $5.15 to send a present to your graduating nephew by going to the post office vs. $21 to send the same package via UPS. It’s a no-brainer. However, if the post office was forced to raise its fee for that parcel to $19, the choice becomes harder.

UPS and FedEx have tracking services, accounts set up for regular users with discounts available, a money-back guarantee for late delivery, and precise time of day delivery target options even for the most casual shipper. Even with a $2 price differential, UPS looks pretty good, but if the post office raises prices, you can bet that gives its competitors room to increase them even more.

So, if this proposed hike goes forward — two factors need to be considered: Your household budget will take a hit. Spending 20 percent to 60 percent more will mean many small businesses and households will cut back on shipping products or those that do will have to cut back on everything else. In many instances the cost of shipping will exceed the price of the product being delivered.

Second, package related revenues to the Postal Service would disappear. This matters because over the last decade package delivery has almost single handedly offset service losses.

The Postal Service workforce already heads out to everyone’s home and office 6 days a week. Thus the post office can often charge less to carry packages to the same places they are already headed than the big delivery companies can.

Over the last decade the post office has generated more than $144 billion in revenue and $42 billion in profit from parcel delivery. That’s $42 billion that doesn’t have to be generated from stamp sales or from taxpayer bailouts.

Forcing the Postal Service to increase prices would also mean that Americans who don’t live in highly dense urban centers would lose. Presently the Postal Service delivers to homes and businesses in faraway locales such as Anchorage and Fargo.

Locations like these are considered out of the local area for Federal Express and UPS. Even places like Glenbeulah, Wisconsin, and Tompkinsville, Kentucky, are locations that those companies levy “surcharges” for deliveries.

Since most American consumers and small businesses aren’t in New York and San Francisco, they should expect to see prices for package delivery skyrocket.

Prior to 1912, the post office was not allowed to carry packages weighing more than 4 pounds. Back then that meant that 54 percent of the population who lived in rural areas were subjected to whatever prices “private” delivery companies might charge. When Congress mandated that the Postal Service accept more packages as well as letters, package delivery became a household feature.

Today American households and small businesses benefit from low cost parcel delivery from the East Coast all the way to the West Coast. Let’s not turn the clock back 100 years.