

American taxpayers give an \$18 billion gift to the post office every year

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A new analysis explains just how much the USPS benefits from the subsidies it receives from the federal government.

The United States Postal Service's financial troubles have been well publicized in recent years. The worst of it came in 2012, when the USPS lost a whopping \$15.9 billion dollars, followed by \$4.8 billion and \$5.3 billion in 2013 and 2014, respectively.

Post office officials have often attributed the losses to the decline in demand for first class mail in favor of more efficient modes of communication, and congressional mandates that the USPS do things like deliver mail on Saturdays and to unprofitable parts of

the country. In fact, the USPS claims that if it weren't for such requirements, it would more or less break even.

But as Robert Shapiro—former Treasury undersecretary and chairman of the economic consultancy Sonecon—points out [in a new analysis](#), American taxpayers subsidize the USPS at a rate that surpasses the costs associated with any Congressional mandate. He estimates that, all told, the subsidies and legal monopolies that Congress bestows upon the post office is worth \$18 billion annually. These include:

Laws that bar any other shipping service from delivering mail and packages directly to residential and business mailboxes. Shapiro estimates that this gives the Post Office a \$14 billion annual boost, more than three times what the Postal Regulatory Commission estimates it to be. Shapiro argues that the PRC's analysis doesn't take into account the productivity gains that the Post Office would be forced to make if it really had to compete for mailbox delivery. He points out that productivity at USPS has only grown by 0.7% per year versus 2.5% for its competition.

Tax breaks. The Post Office is exempt from state and local property and real estate taxes, along with other burdens like tolls, vehicle registration fees, and parking tickets. These exemptions save the USPS \$2.18 billion per year.

Cheap borrowing. The Postal Service, writes Shapiro, "can borrow from the U.S. Treasury through the Federal Financing Bank, at highly-subsidized interest rates." It currently borrows the legal limit of \$15.2 billion at a rate of 1.2%. Without this

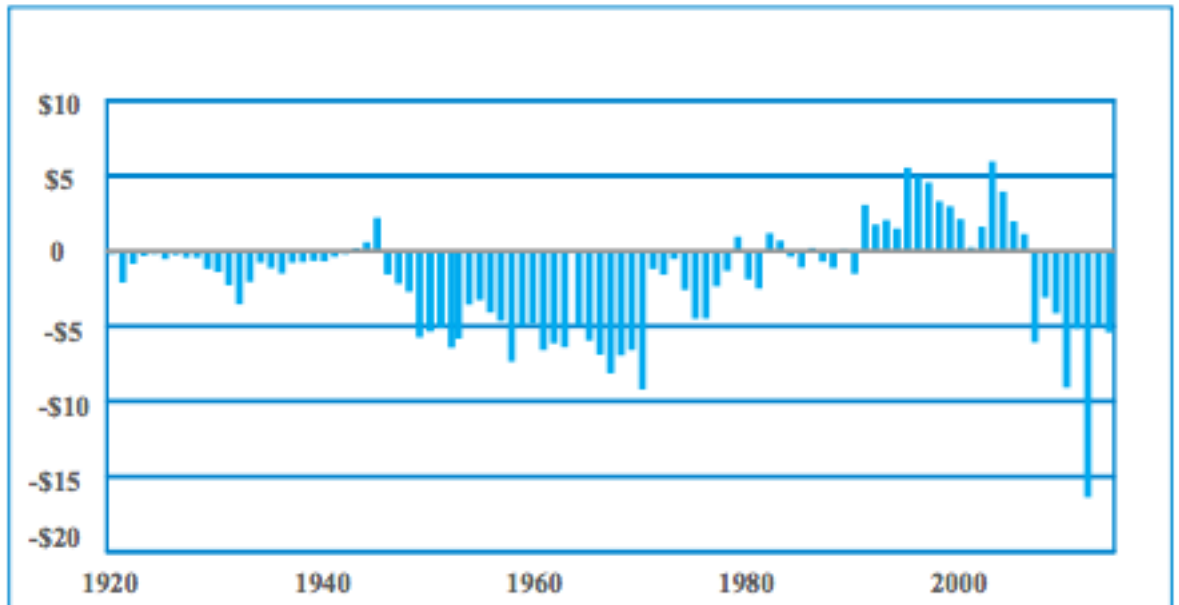
access, it would be paying somewhere between \$415 million and \$490 million per year more in interest.

Finally, Shapiro points out that the USPS pays its workers salaries and benefits far above the rates paid to similar workers in the private sector. Labor accounted for 78% of the organization's costs in 2014, "with about 89% of those costs involving employees represented by collective bargaining." These higher labor costs, plus the absence of a need to innovate due to government-granted monopolies, has freed the USPS from \$20 billion in labor and productivity costs per year, Shapiro estimates. "While we do not technically count this as a subsidy," he writes, it represents an economic burden on others arising directly from USPS's monopoly position." Postage, for instance, would likely be cheaper for everyone if the organization were subject to the same competitive pressures as private firms.

It's remarkable that the United States, which has a reputation for being more free market-oriented than other rich nations, maintains this government-mandated monopoly. Over the past several decades, the process of European integration led to the deregulation and privatization of European postal monopolies, with generally good results.

Given the inability for Congress and the White House to agree on even basic legislation, it's unlikely that any major changes to the Post Office will be coming soon. After all, the Post Office's losses aren't an anomaly. It has spent a large part of its history in the red, as this chart from Shapiro shows:

Figure 1: USPS Real Net Income, billions (2014 dollars)



Meanwhile, the \$18 billion in subsidies given to the USPS are spread imperceptibly over the entire country, while the costs of privatization would be borne heavily by a few. Folks in rural areas might have to pay much more to lure private businesses to deliver mail.

The Post Office employs 618,000 people—more than any civilian employer besides Wal Mart. Given the pay disparities between the Post Office and private employers, these people would be highly motivated to block any significant change to the current system.

That said, the benefits the rest of us bestow on the USPS are enormous. None of this will help you calm down the next time

you are waiting on a line that just won't move at your local post office.