

Does the U.S. Postal Service have an unfair competitive advantage?

By Josh Hicks March 27

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Special treatment from federal, state and local governments has given the U.S. Postal Service an unfair advantage over private-sector competitors such as the United Parcel Service and FedEx, according to an economic analysis released this week.

Robert Shapiro, a former top official at the Commerce Department and principal economic adviser to Bill Clinton's first presidential campaign, said in a report on Wednesday that USPS benefits from about \$2 billion per year in tax exemptions, a monopoly on mail delivery and unique access to federal financing.

"In consideration of the current postal framework, USPS's monopoly rights and associated subsidies may well impair healthy competition in this large and growing market," the analysis concluded.

(Reuters/Mike Blake)

Postal Service spokesman David Partenheimer disagreed with the report, saying in a statement on Thursday that Congress's postal policies are "more of a hindrance than an advantage" for the agency in a changing marketplace.

"Mr. Shapiro's one-sided paper fails to present an accurate picture of the differences between the Postal Service and private sector delivery firms like UPS and ignores substantial burdens imposed on the Postal Service," Partenheimer said.

Postal officials have been asking Congress for years to give USPS greater flexibility to control pricing and develop new products in an effort to make a profit. USPS has lost billions of dollars annually for the past eight years, including \$5.5 billion in 2014.

One of the biggest drags on USPS finances, aside from recent declines in First Class mail volume, is a 2006 law that requires the agency to make advanced payments for

retiree health benefits. The cost of the mandate is more than \$5 billion annually, and USPS has defaulted on the payment for the past four years.

Postal unions have argued that USPS could earn a profit if not for the prefunding expense, but agency officials contend that the organization is too deeply in debt and in need of new equipment for that to be the case. Nonetheless, both sides have called on Congress to end or restructure the requirement.

Congress has failed for years to reach a deal that would overhaul the Postal Service and help the agency improve its financial standing. Lawmakers from both parties have opposed bipartisan plans that involve service cuts such as ending Saturday mail delivery and scaling back on to-the-door deliveries by increasing the use of community mailbox clusters, which are common at many apartment complexes.

In terms of advantages, Shapiro said USPS's monopoly on mail delivery — including its exclusive access to mail boxes — is worth nearly \$15 billion per year. However, the Postal Regulatory Commission estimated the value to be a much lower \$810 million in 2013.

Shapiro said USPS also reclaimed about \$850 million in federal taxes from last year through a program that allows the agency to put its tax payments into a special account that can be used for expenses. He said the agency also benefited from about \$1.5 billion in property-tax exemptions from state and local governments in 2012.

Additionally, the report said the Postal Service has borrowed about \$15 billion from the U.S. Treasury with interest rates “far below market rates.”

Partenheimer countered that such policies help USPS “provide universal service to the American people, an obligation that is not imposed on private delivery firms.”

Correction: Because of a typo, an earlier version of this article misquoted USPS spokesman David Partenheimer saying Shapiro's report fails to present an “inaccurate” picture of the differences between the Postal Service and private sector delivery firms. It has been corrected to say “accurate.”