

Can USPS Go Private?



This report will explore the viability of the United States Postal Service (USPS), a state monopoly, becoming a private company. State monopolies are a form of coercive monopoly that are aimed at ensuring regulation of a certain good or service through governmental ownership and operation. Many governments previously employed the use of these monopolies in services such as public utilities, railroads, and telecommunications. The USPS is constitutionally established and protected under Article I, Section 8, Clause 7 of the U.S. Constitution.¹ This clause is currently interpreted judicially to be a right to a de facto Congressional monopoly of first-class residential mail, defined as non-urgent residential mail with packages being exempt of this clause. This gives the USPS the ability to set and enforce regulations and control the market engagement of competitors. USPS also, is subject to special exemptions, such as local and state sales, income, and property taxes, and from vehicle fees, parking tickets, eminent domain, certain civil actions, and zoning laws. USPS also says federal income taxes on earnings that will get reinvested back into USPS with the option to borrow up to 15 billion dollars a year from U.S. treasury at low interest rates.² Current competitors such as FedEx and UPS thusly limited to non-urgent or oversized mail and packages. However, the USPS is also only mail carrier with a legal obligation to a universal service.

Even with these advantages the USPS fiscal year report from September 30th, 2021, reported their net income was a loss of 6.9 billion dollars³. Making it the 15th straight fiscal year at a loss. In these years the USPS has operated at a total net loss of 93.9 billion dollars. Since the 1900's many of the industrialised states have opted to privatise these services. Public service privatisation is centrally driven by its potential benefits of; streamlining and downsizing government (diluting policy makers responsibility/blame), increased flexibility, increased innovation and efficiency, less strain on taxpayer's money, improving quality of service and maintenance. In the last 20 years Germany, Portugal, Japan and the UK have all moved to privatise their postal service successfully. The most successful example being Germany, with Deutsche Post who, in 20 years increased their stock since going public by 5.56 times its original value in 2001⁴. Deutsche Post since privatisation has seen a massive uptick in quality quantity of services and value, highlighting the benefits of privatising the industry.

USPS contrary to most national postal services is not funded by its government. Instead, congress regulates the price of stamps. USPS can also lease its real estate or assets across the country acting as para-governmental company with its own workforce and federal equity. This eliminates the strain on taxpayer's money and only receives money in the form of bail outs for essential services when running at a loss. Similarly, with the need for mail in votes in the U.S. governmental elections, with a study showing 46 percent of Americans voted through absentee or mail-in ballots in the 2020 presidential elections⁵, privatisation would require strict and rigid oversight hindering flexibility. This means privatisation's potential benefits for USPS are restricted to just improving quality of service and maintenance and increasing innovation/efficiency.

A major issue with privatisation would be a lack of companies/corporations with the infrastructure necessary to compensate the market. USPS handled 142.6 billion packages in the 2019 fiscal year with the nearest competitors FedEx and UPS only managing about 5.5 billion each. Similarly, analyst estimate by 2023 USPS will handle about 45% of all Amazon deliveries in the U.S. in some capacity⁶. USPS reported 77 billion dollars in revenue in 2021 fiscal year, a 5.3% increase from the previous year³. This shows that there is a large market for this service. However, lack of experience and of potential buyers narrows potential buyers significantly. Less bidders result in a lower price and most likely a reduction in service.

The Key stake holders in USPS privatisation are Congress and local populous. To privatise the method would need to ensure governmental involvement, allow for growth of competitors, and ensured market regulations and service quality. It would be recommended to therefore incrementally introduced changes in a three-phase plan. The first phase is aimed at focusing the vast resources to more centralised/high volume aspects of the universal service as the scope of this service is one of the largest drains. This would be done by using private contractors in the niche areas of the service, which would allow the private contractors to be innovative while also making the service more efficient. The second phase is aimed at deregulating some of the more restrictive policies imposed on the competitors to allow competitors to grow and fill the market. The third phase would be to split-up into two companies; one focused on essential executive branch responsibilities and the other being focused on the non-governmental actions of the service. The second of the two companies could then go public and be written to have the U.S. Government to always have at least 51% of the company's shares and thus a controlling interest. This plan would ensure no loss in service, mitigated loss of employment, and ensure selective privatisation of governmental assets accumulated within USPS. Furthermore, this ensures that no constitutional rights are infringed upon while allowing USPS to grow into more profitable markets like logistics and packages. It is recommended to mirror Deutsche Post in its acquisition of DHL to become an international postal company by either acquiring FedEx or partnering with Amazon. Both companies have a successful business in international shipping and would therefore benefit from the local infrastructure the USPS can provide. If loss of jobs is a concern, many of its workers are protected under unions and having the workers or it's union invest in the company would allow for better transparency and control in this matter.

To conclude, through the three-phase plan the USPS can keep its constitutional responsibilities whilst still privatising by way of the split-up method. The process will ensure that changes would not significantly affect the public or employees but would also allow the company to streamline and grow. Therefore, it can be reasoned that complete privatisation of the USPS is impossible but divisional privatisation can be achieved and potentially lucrative to all stakeholders.

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