

The Essential Role of the United States Postal Service in American Daily Life

Key Findings

Established by the U.S. Constitution, the United States Postal Service (USPS) has been in operation for more than 200 years, at no cost to the taxpayer since 1982. The USPS is the backbone of the U.S. mailing industry and many other industries that rely on the existing USPS infrastructure to deliver their products to final destinations. The USPS creates, expands, and maintains a sophisticated infrastructure that no other business entity can provide nor duplicate.

This report provides in-depth information on how the USPS is integral to our everyday lives and the greater economy. Amid all of the talk about reform, policymakers, stakeholders, and the general public need to understand just how important this institution is and how any changes to the Postal Service should be to strengthen, not weaken, its future growth. The main results of the study are:

- **The sophisticated infrastructure of the USPS is indispensable to the U.S. mail services industry and American consumers.** The USPS serves 320 million people at 153 million addresses of residences and businesses. The USPS employs 490,000 career workers and 137,000 non-career workers covering 1.2 billion miles annually to deliver 158.4 billion pieces of mail and packages six days a week, 52 weeks a year. The ZIP+4 code system has mapped the U.S. and benefited national security, social safety, and businesses.
- **Given the dynamics of social and economic developments, the combination of price hikes and the elimination of Saturday delivery proposed by the USPS would be a major setback for the country.** By reducing mail delivery and pick up services from six days to five days, the USPS will create bottlenecks and delays of communications, payments, and shipments for American consumers and businesses. The heavier volume of mail to be picked up and delivered in the following weekdays will likely have negative spillover effects to other mail and parcel classes. Consequently, the USPS could sacrifice its competitive advantage by reducing the level of service desired by its customers.
- **First-Class Mail accounts for the largest share of USPS total revenues, averaging 46.3% of total revenues during FY2008-2013.** First-Class Mail is the largest profitable segment for the USPS, with an average 213.6% cost coverage (revenues divided by attributable costs) and 23.3 cents contribution per piece (revenue per piece minus attributable cost per piece) during FY2008-2013.
- **The U.S. mail services industry is interdependent, led by the USPS and followed by FedEx and UPS.** FedEx SmartPost and UPS SurePost rely on the USPS infrastructure for final deliveries to residences and businesses in the cities, suburbs, and rural areas across the country. The USPS in 2013 purchased over \$1.9 billion in services from FedEx (the largest vendor) and UPS (the 10th largest vendor) to transport mail for the USPS.
- **The USPS provides critical services to e-commerce that are integral to the success of Internet companies.** E-commerce is growing exponentially and is expected to continue growing across manufacturing, services, wholesale, and retail sectors. Shipment costs account for a significant amount in retail e-commerce (e.g., 8-9% of Amazon revenues and 7% of Netflix revenues). Same day delivery and Sunday deliveries are becoming a trend in large cities. Thus, e-commerce businesses are vulnerable to changes in shipping prices and operations.