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A PostalVision 2020 Event

White Paper

Prepared by

Lori Rectanus
Director of Physical Infrastructure
Government Accountability Office (GAO)

Kathleen J. Siviter
Director, Community & Brand Development
PostalVision 2020

This paper captures highlights from the event. The complete agenda from the event, including links to presentations and speaker biographies, is available on the PostalVision 2020 web site at <http://www.postalvision2020.com/delivery-by-design-agenda/>. The material presented in this paper reflects the information provided by panelists and discussion by participants. It does not reflect the views of the authors or their organizations.

Executive Summary

Why This Event Was Held

The postal ecosystem that we all know is changing. Given international eCommerce, global access and new ways of receiving and delivering goods, customers are demanding new types of services—same day delivery, delivery away from the house, just-in-time service AND they want these services at competitive prices, or even “free.” The models and methods of yesterday may not work for tomorrow. As a result, postal operators and key postal stakeholders from around the world are rethinking what a “delivery service” should offer its customers.

With that in mind, PostalVision 2020, an independent organization that seeks to bring different viewpoints together, held a one-day “excursion” to delve into a key issue facing the postal stakeholders in the United States—including the U. S. Postal Service (USPS) -- namely, the “mailbox monopoly,” the law that forbids anyone except the USPS from putting items into mail receptacles. Originally designed as a mechanism to support the USPS and ensure basic service, given today’s and tomorrow’s changes, some believe it’s time to take a look at this monopoly and see whether changes to the monopoly could benefit postal stakeholders and consumers.

The goal of the PostalVision event was to explore the current and future role of the monopoly in light of the tsunami of changes in the delivery postal ecosystem, and discuss issues that would need to be addressed if changes to the current monopoly are considered. Held on January 23, 2017 at the George Mason University Schar School of Public Policy in Arlington, VA, the event included over 70 representatives from the federal government, labor unions, academia, and key postal-related businesses and competitors. They engaged in open, independent conversation around issues related to the mailbox monopoly.

The event was organized around presentations by key postal stakeholders followed by interactive discussions among the participants, and culminated in a survey to gauge, among other things, participant views on the best approach for postal stakeholders and the postal ecosystem of the future. This event was held parallel to a review by the Government Accountability Office (GAO) looking at issues related to the USPS monopolies. GAO support and participation was an integral part of the event. GAO’s issued report U.S. Postal Service: Key Considerations for Potential Changes to USPS’s Monopolies (GAO-17-543) can be found at <http://www.gao.gov/products/GAO-17-543>.

The USPS Mailbox Monopoly and the Changing Face of Mail

The USPS Mailbox Monopoly law was codified in 1934 in 18 U.S. C. Section 1725 to protect postal revenue by preventing delivery of unstamped matter to mailboxes, which reportedly was having a considerable impact on postal revenues. The mailbox monopoly, combined with the USPS “letter mail monopoly” (e.g., the Private Express Statutes) that allows only the USPS to carry certain types of mail, were designed to ensure the USPS retained the ability to provide universal, affordable service to all U.S. residents in an efficient manner, noting that street delivery represents costs that do not go away as mail volume declines. Over the years, various studies have looked at the monopoly, including its value and what types of changes consumers might be willing to accept. While the studies have varied by author and purpose, essentially, the studies show continued differences of opinion about the role of the monopolies and whether and how changes might affect some postal customers.

Europe has had significant experience liberalizing their monopolies, so in thinking about changes to USPS’ monopolies, European experiences provide some insight on actions and related outcomes. While not directly comparable, many of the issues European posts thought would arise as a result of liberalization did not. Specifically, posts feared competition for the entire process, but ultimately, end-to-end competition is practically non-existent. Instead, competition takes place more in the upstream collection and sorting part of the process and in the “last mile” delivery end of the process. The expectation that breaking up the monopoly in Europe would increase competition also turned out to be a myth because even though the monopoly was abolished, the requirement for universal mail service was not, so someone still had to provide and finance universal mail service. Some posts did become more efficient and cut costs, but other posts took other actions, such as getting rid of post offices and outsourcing operations. Finally, some countries saw price increases as a result of the changes, while others saw price decreases.

Telecom is another area that may provide insights. The telecom monopoly was inspired by the postal monopoly concept of universal pricing across a region. But the concept of universal service for telecoms has evolved greatly over the years with the development of new mobile devices and technology. There are significant differences between the telecom industry and the postal industry, as employees in the telecom largely are private and those in the USPS are largely government. Technology has played a significant role in unbundling the telecom monopoly, particularly in terms of how to fund and carry out any universal service obligation.

Any discussion of the current monopoly or potential changes to it would not be valid without acknowledging how the world of mail is changing. Digital alternatives exist across all mail types today and have grown in prevalence, representing both challenges and opportunities for mail. For example, digital alternatives are directly affecting First-Class Mail (FCM) and USPS Marketing Mail (mail volume has remained relatively flat since 2012, although the USPS has seen a significant decline in FCM over the last decade), but, because of ecommerce, parcel volume has grown steadily. The USPS noted in its presentation at the event that, despite what many think, mail engagement has improved since 2012 and millennials appear to be as engaged with mail as older generations. The USPS continues to believe there is a place for hard copy mail even with the digital world—in fact, mailers are embracing mail as a complement to overcome shortcomings in purely digital advertising campaigns.

Nonetheless, consumers have driven -- and will continue to drive -- innovation. There is a rapidly-changing environment for last mile delivery solutions as well as first mile retail access solutions. The challenges in terms of fitting parcels into traditional physical mailboxes are growing with eCommerce. Major competitors to the USPS are bringing new retail access solutions to the market and a host of entrepreneurs and start-ups are bringing new, “outside the box” innovative solutions for parcel delivery such as automated smart parcel lockers. Retailers are exploring in store pick-up alternatives to home delivery and Europe has established receptacles where customers can have dry cleaning, shoe repairs and other items delivered to provide more convenience. Groceries are another fast growing area of home delivery, and there are even companies that offer delivery to the trunk of a car. Companies are also experimenting with drone delivery, autonomous vehicles, robots, crowdsourcing and more.

What Stakeholders Want from a Delivery System and the Role of the Mailbox Monopoly

In order to think about what the status quo or changes to the monopoly might mean for the delivery system of the future, it’s important to understand what postal stakeholders want from a delivery system. The PostalVision event identified some common themes across different postal stakeholders—senders of mail; recipients of mail, and service providers who prepare and/or carry the mail:

- **Equitable and Reliable Access to the Mail.** Stakeholders want appropriate access to the mail and reliability of service. In the United States, customers are used to the Universal Service Obligation (USO), which means prompt, reliable service to all U.S. citizens. Although the USO has never been fully defined, both senders and recipient stakeholders noted that they like the idea that the USO guarantees equal service no matter where someone lives.
- **Affordable Service.** Postal stakeholders want the best quality service that is affordable. While the specific definition of “affordability” may vary, in general cost and efficiency of delivery are key considerations when making decisions. For example, catalog mailers use a break-even point to decide when and how much to mail. Non-Profit groups use low postal rates to promote civic involvement. Consumers who are low income are very sensitive to price – even for a book of stamps. Service providers want to make sure they are able to get good prices to pass along savings to customers and keep them using the mail.
- **Mail Security and Privacy.** While the level and type of security wanted varies by stakeholder, in general mail security is an important element for all of them. For example, senders want safe and secure delivery of mail, particularly those who are mailing items such as bills, credit cards, or personal information. Catalogers do not necessarily share security concerns, but did note that if and when catalogs are stolen from mailboxes, there is an associated cost. Service providers need to assure senders and recipients that their mail is treated appropriately, will arrive at the designated location, and will have the appropriate protections.

Rethinking the Mailbox Monopoly and Related Issues

When thinking about the current mailbox monopoly and potential changes, there are several high level approaches that can be explored: (1) eliminate it, so that anyone can have access to the mailbox, (2) modify it so that **some** entities would have some sort of **controlled access** to the mailbox, or (3) maintain the status quo.

While event organizers realized there are numerous variations within each of these three approaches, for purposes of this one-day event, it was determined that these broad approach concepts made the most sense to focus on initially, without delving into the details and nuances possible within each approach. At the event, renowned postal experts first debated the benefits of each of these approaches and then participants engaged in a lively discussion of benefits as well as challenges. During this exchange, participants acknowledged that is no panacea, because while all approaches have potential benefits, they also come with issues that need to be addressed.

Eliminating the Mailbox Monopoly

For those who advocate elimination, reasons to do so include promoting economic efficiency, giving stakeholders greater choice, and facilitating USPS modernization. In terms of promoting economic efficiency, the development of the monopoly wasn't based on a true policy assessment, or an assessment of what would work best for the postal ecosystem. As a result, it is not clear if the current model is fueling such efficiency, and some argue it's not. For example, eCommerce distribution would be more efficient if all carriers could access a common mailbox. In terms of choice, one could argue that if households put up the mailbox, they should have the choice of who has access to it. Some surveys show that about half of people would be happy to have packages put in their mailbox by known private carriers. In terms of USPS modernization, economic theory notes that monopolies can breed complacency. The survival of the USPS in this drastically changing environment may depend upon whether it can become more efficient and innovative. If we look to the world, the overwhelming majority of the 23 industrialized countries have repealed their monopoly as a necessary step in postal modernization. Finally, the monopoly is not necessary to ensure universal service or to protect mail security, nor is it necessary to allow the use of the mailbox for outbound mail.

Participants agreed that this approach might provide some customers with potentially better choices about how they would want their mail delivered, and may offer better costs. They also agreed that if the USPS was forced to compete, it may become more innovative. On the other hand, others raised concerns about those consumers who may not be in desirable delivery locations and whether they would actually see fewer options and greater costs because entities would not want to deliver their mail (e.g., "cream skimming"). Under such a scenario, if the USPS would still be responsible for the USO, it could adversely affect costs and their ability to carry out operations. Others pointed out any loss in USPS' economies of scale could be countered by greater innovation and creativity in the market by other entities that might be better off to serve local areas.

Some participants raised concerns about privacy of material in the mailbox. While some asked about what would happen if anyone could put things in or take things out of their mailbox, others noted that 66% of mailboxes currently have no lock, yet mail theft is relatively rare—with only about 100,000 reported cases a year. Some participants said it's not clear why that would necessarily change under a different scenario, as the penalty for putting mail in mailboxes comes out of criminal codes, not the mail

codes and would still be enforced, even in a different environment. Some said that, for the USPS, it could become more difficult and time consuming for postal carriers to weed through the volume of mail in the mailbox and that sheer volume of mail in the mailbox may lead to a reduction in its value to the customer. Others noted that there is no basis for thinking that just by opening up the mailbox there will be a greater volume of unwelcome mail.

Additionally, several participants noted that technology could provide solutions here, such as having smart mailboxes, and that, as digital alternatives grow (and as we've seen with telecom and other areas), people are getting accustomed to having multiple access channels to meet their needs. Finally, several participants noted that the demands of the senders/recipients in the future will be different than today, and it's not clear whether the "mailbox" is going to be where customers want/need their mail.

Modifying the Mailbox Monopoly

Modification of the mailbox monopoly represents one of the more difficult approaches to obtain stakeholder feedback around because modification could come in nearly limitless forms, each of which presents benefits and challenges. Modification may offer the benefits of greater competition and better choices for customers, with potentially fewer of the possibly negative effects from pure elimination. For example, if there were additional licensing and oversight of those with access to the mailbox, some of the security concerns might be alleviated, or at least easier to oversee and regulate. Additionally, modification may allow entities to do what they do best. For example, through modification, there could be some parameters around the type of items put in the mailbox as well as the type of entities who have access.

Critical to moving forward with modification, however, is identifying goals and addressing key issues such as how best to use the postal infrastructure that's already in place, what the USO should be, or who would be responsible for it. If the delivery arena were more privatized, we would need to address issues about whether mail would still be treated as a "public" good, or whether there would be a need for any taxpayer support to even out or support key entities. Or, if entities who initially enter the area fail and consumers may be adversely affected, there would need to be a discussion about what consumer protections would exist.

Finally, if the mailboxes were to be opened and licenses awarded, we would need to determine how that would be regulated and overseen. Participants noted the benefits of a modified approach because senders and recipients want the best deal available, and if that could be provided through an entity other than (or in addition to) the USPS, they would consider that, especially if there were some parameters around whom those other entities are. Nonetheless, they raised many of the same concerns here as they did for elimination, essentially that providing greater access to the mailbox—even under a more controlled manner—still potentially allows for greater confusion in delivery, potential for increased theft and clutter in the mailbox.

Retaining the Mailbox Monopoly

The current mailbox monopoly provides a range of benefits across the areas important to postal stakeholders. In terms of affordable services, the USA's postage rates are low compared to other countries, and there are economies of scale and scope in the current delivery mechanism that keep

costs down and efficiency up. The USPS is trusted with handling sensitive, valuable and personal information, including voting ballots, tax information, credit cards, or prescriptions.

Historically, the USPS has been an essential part of American culture and a central institution in small towns as a community gathering place. Moreover, in delivering the mail, the USPS provides security such as anthrax testing. If the mailbox is opened up, the current economies of scope and scale experienced by the USPS could be destroyed, thereby potentially adversely affecting costs and its ability to meet the USO. It would reduce the USPS' efficiency by raising both first and last mile costs, undermining public trust of privacy and security, and increasing environmental costs through having more delivery vehicles on roads.

Participants agreed that the current mailbox monopoly has significant benefits--key among them the continued implementation of the USO and protecting some revenue for the USPS. However, given the exodus in mail (particularly the more profitable First-Class Mail) and the continued expected decline given e-communication, participants noted that having this monopoly may not be having the intended effect. For example, the economies of scale and scope that the USPS has enjoyed are diminishing, which is already adversely affecting service and price. Changes in product mix and decline in some product volumes have also been raising service challenges for the USPS. In this type of situation, affordable quality service can be threatened by the USPS' vulnerability to economic conditions with senders paying for services. Moreover, prohibiting others from entering this market—where it makes sense—may be adversely affecting innovation and competition.

Key Considerations to be Explored

While many participants continued to believe that no changes to the mailbox monopoly were needed, others indicated there could be merit in further exploration of changes to the current mailbox monopoly. Specifically, in surveys administered to the participants, almost 70% of respondents indicated that both retaining OR eliminating the current monopoly would have negative effects on senders and service providers, while about 80% said there would be negative effects on recipients. More than half of survey respondents indicated that modification would be the best approach for the postal ecosystem in the future.

Nonetheless, participants fully recognized that there are several key considerations that need to be thought through before any action is taken. They also overwhelmingly noted in their survey responses that if there were negative implications from any changes made, action should be taken to address those. They also noted—at almost 70% of respondents-- that Congress has the greatest responsibility for exploring these issues and taking action to ensure the systems used by the postal ecosystem reflects consumer needs and the changing face of this system in the future. Key considerations identified by event participants included:

- **Affordable Quality Service.** American consumers are used to having high levels of service provided to all for essentially the same price and within the same parameters. Although never fully defined, traditionally the USO is interpreted as 6-day a week delivery, the ubiquitous availability of post offices--regardless of volume of business--and access to stable, reasonable prices for senders. When discussing changes to the mailbox monopoly, a number of participants said we need to have additional discussions about what types of services consumers want in the future and what they're

willing to pay for those services. Some participants argued that the USO in the U.S. needs to be statutorily defined, and that definition should be made in light of the existing marketplace realities.

- **Appropriate Mailbox Access and Security.** Traditionally in the United States, the term “mailbox” has a certain meaning, although that is rapidly changing because of the growth in cluster boxes for new developments as well as consumer demand to get their mail and packages in different ways. As we head into the future, participants said we will need to potentially redefine what we mean by “mailbox” and, accordingly, what those new paradigms mean for giving stakeholders the access and security protections they want. If First-Class Mail continues to decline and more mailers move to digital communications, it is unknown what type of mail will be left in traditional mailboxes and whether that mail will need the same type of security or privacy protections as in the past. Many of the items that require privacy or security protections (voting ballots, tax information, credit cards, pharmaceuticals, etc.) may not be in the traditional mailbox in the future. Moreover, regarding access to the mailbox, conference participants noted that technology offers many options to help sort out this issue, such as smart mailboxes that will tell you what’s in them, or having the ability to give just-in-time electronic access to someone to put something in your mailbox. Other issues, such as who would pay for these developments, also need to be discussed.
- **Appropriate Oversight and Regulation.** If we did explore any changes to the current paradigm, participants said we would have to identify what oversight and regulatory needs we would have and who would address those needs. For example, if additional entities were given access to mailboxes, there would need to be some process to regulate them, oversee them, or prosecute any entity that did not adhere to agreed-upon conditions. Organizations such as the Postal Regulatory Commission (PRC), or the Postal Inspection Service may have additional roles, particularly for the latter if they find offenders. Participants asked whether laws would need to be rewritten to open the mailbox monopoly, and in doing so, who would have the greatest choice about what entities would have access to mailboxes.
- **The USPS’ Role:** Throughout the event, participants discussed that we need to come to some decision about what we want USPS’ role to be in the future, and what that means for the services it provides and the finances it receives. Participants were well aware of the historical role the USPS has had in society—“binding” people together; and they asked whether we want the same role for the USPS moving forward. Do we want the USPS to stay as it currently is—with the associated challenges—more of a government entity, or truly operate as a business? This decision is critical to assessing any potentially negative financial effects if opening up the mailbox leads to volume and revenue decline. For example, if the USPS experienced volume and revenue declines from opening up the mailbox, would there be additional financial support, and where would it come from – Congress, taxpayers, ratepayers, or would the USPS be allowed to engage in new or different activities to get additional revenue?

Conclusion

Today’s communications landscape is radically altered from the past because of technology and telecommunications and it’s appropriate for policymakers and postal stakeholders to engage in dialogues about what types of mechanisms best provide customers the new and evolving services they demand. That being said, any change to the current system is serious and should not be taken lightly. As

event participants noted, while taking any action to change the current mailbox monopoly has benefits and challenges, so does taking no action.

Event participants agreed that further discussion and study are needed around the future of the USPS' mailbox monopoly, particularly because the mailbox monopoly does not operate alone, and any changes made to it will affect other USPS and mail operations. As we pursue this additional dialogue, we should be driven by the desired end state and creating the world we want to have rather than tweaking old paradigms.

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Following this one-day January event, PostalVision at its March 2017 annual event presented a session that re-capped the key discussion points from the January "Delivery by Design" event and allowed an extended list of participants to engage in conversation on the topic of the future of the USPS mailbox monopoly. [Videos of these sessions are available on PostalVision 2020's YouTube channel: [Part 1](#) and [Part 2](#).]

PostalVision will continue to provide opportunities for open dialogue and consideration of these key topics at future events, and is available to support such efforts by others in our global postal ecosystem. Additional presentation and discussion around postal policy topics will be part of PostalVision's 2018 annual event, to be held April 4-5, 2018, at The Ritz Carlton in Pentagon City (more information available on the [PostalVision web site](#)).



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