



Who Would Pay the Biggest Price for Postal Privatization?

The 70 million Americans who live in suburbs, small towns, and remote areas who already pay more for private package delivery.

Summary

UPS and FedEx charge retail customers additional fees for package delivery to the homes of 70 million Americans who live just outside major cities and in small towns and rural areas. These higher delivery rates are just a taste of what would come if the Trump administration succeeds in privatizing the U.S. Postal Service.

For more than a century, the Postal Service has been committed to uniform pricing for deliveries to anyone, regardless of where they live or work. Without competition from this public service, for-profit firms would likely jack up delivery fees even higher on less profitable routes, and shutter post offices in many rural areas.

Background: Privatization could return the country to the days before Rural Free Delivery

With Benjamin Franklin as the first Postmaster General, the Continental Congress established the Post Office in 1775, a year before the Declaration of Independence established the United States. Colonial leaders knew that fostering reliable and affordable communications between citizens was vital to create a sense of national democratic identity and purpose—and enshrined the Post Office into the Constitution for that very reason.

For the first 121 years, postal services were limited to those in cities. Farmers and other pioneers had to either travel long distances to cities or pay handsomely for private carriers to deliver their mail periodically. With westward expansion, rural residents began demanding the same free delivery that city residents had long enjoyed. In October 1896, Rural Free Delivery (RFD) began to be introduced, allowing groups of farmers to petition their Congress member for mail service. Within a decade, 32,000 RFD routes crisscrossed the country.

The Postal Service also has a legal mandate to provide universal service. It must deliver to all U.S. addresses, without charging more for more costly delivery routes. A delivery from Kansas City to an Idaho farm costs the same as a shipment from that city to any other place in Idaho.

Today, the principles of universal service and uniform rates are under threat by privatizers with eyes on the U.S. Postal Service. In April 2018, President Trump appointed a task force on the future of the Postal Service, which included the Treasury Secretary and the Directors of the

Office of Management and Budget and the Office of Personnel Management. In June 2018, OMB recommended postal privatization in [a report](#) on overall government restructuring. In December 2018 [task force](#) issued its report, calling for privatization of wide swaths of the Postal Service, reducing delivery days, closing post offices and drastically increasing prices on package service and the mail.

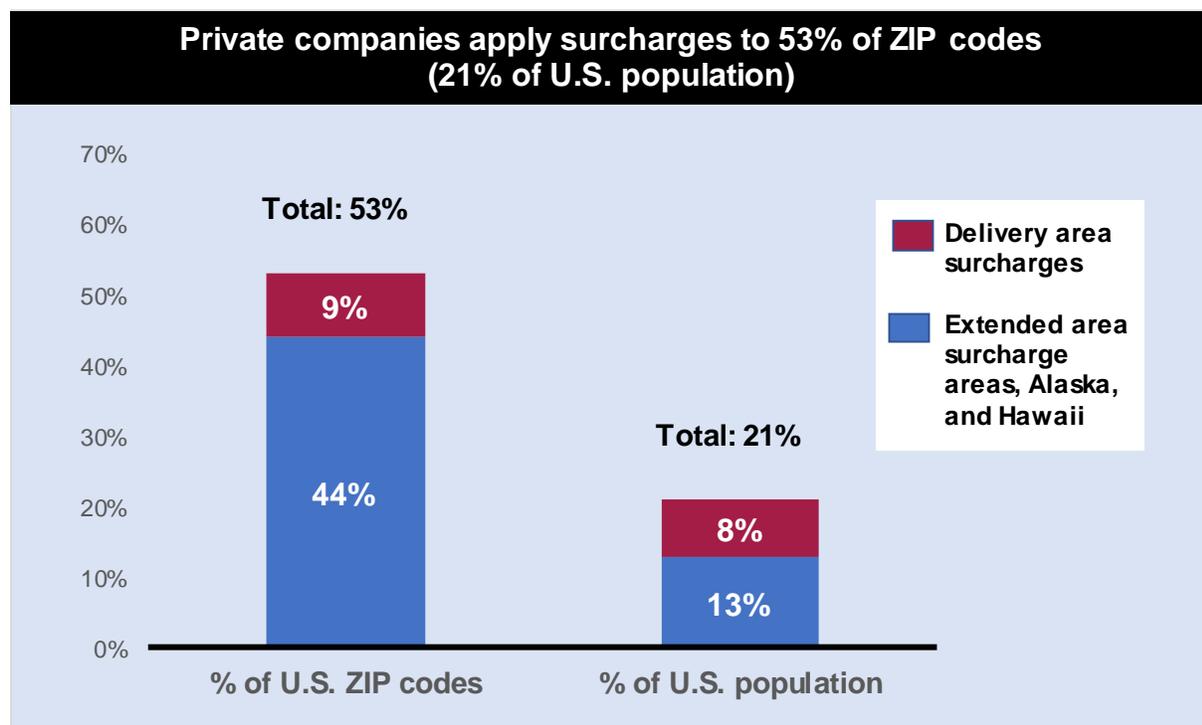
If these privatization efforts succeed — in whole or in part — a large share of the national population may well face a return to past standards of expensive private delivery services or the need to travel long distances just to get their daily mail and packages like vital medication.

Private companies already impose area surcharges on vast swathes of the country

These days, Americans have more choices for express and package delivery than ever before, but only the U.S. Postal Service provides universal service, free of area surcharges, to everyone. The two main private carriers — FedEx and UPS — each add an array of surcharges to advertised base rates.

According to their own web sites, UPS and FedEx charge delivery area surcharges for deliveries to approximately 53 percent, or more than 22,000 of the nation’s 42,000 ZIP codes. The Institute for Policy Studies calculates that these surcharge areas are home to approximately 70 million people, or approximately 21 percent of the U.S. population.¹

Forty-four percent of ZIP codes, where 43 million people live, are subject to FedEx and UPS’s “extended area surcharges,” the highest fees applied to deliveries to the most remote areas of the contiguous United States Another 9 percent of ZIP codes, mostly in suburban areas and small towns, face delivery area surcharges.



Source: Institute for Policy Studies analysis of data from [UPS](#), [FedEx](#), and [U.S. Census Bureau](#).

2018 Delivery Area Surcharges			
ZIP Code Categorization	UPS	FedEx	USPS
Non-contiguous US			
Alaska	\$26.00	\$26.00	\$0.00
Hawaii	\$8.00	\$8.00	\$0.00
Extended area surcharges in the most remote areas of contiguous US*			
Commercial Delivery	Ground: \$1.60 Air: \$2.75	Ground: \$2.55 Express: \$2.70	\$0.00
Residential Delivery	Ground: \$4.00 Air: \$4.45	Ground and Express: \$4.40	\$0.00
Delivery area surcharges in contiguous US**			
Commercial Delivery	Ground: \$0.00 Air: \$2.75	Ground: \$2.55 Express: \$2.70	\$0.00
Residential Delivery	Ground: \$0.00 Air: \$4.05	Ground & Express: \$4.00; Home Delivery™: \$3.45	\$0.00

*Covers rural and remote areas. **Covers many small towns and suburbs. Sources: [FedEx](#) and [UPS](#). Surcharges cited here and in examples below are based on published retail fees for the 2018 year. Large volume shippers commonly negotiate discounted rates, which may reduce or eliminate destination-based surcharges.

Suburban area surcharges

Many of the communities incurring area surcharges are not what most people would consider remote. For example, the private companies often slap area surcharges on deliveries to ZIP codes just outside major cities, such as the ones below.

Examples of communities near major cities where UPS and FedEx apply area surcharges	
ZIP Code	Distance to Major City
85339—Laveen, AZ	8 miles to Phoenix
84044—Magna, UT	12 miles to Salt Lake City
37189—Whites Creek, TN	8 miles to Nashville
78617—Del Valle, TX	6 miles to Austin
41059—Melbourne, KY	8 miles to Cincinnati
62240— East Carondelet, IL	7 miles to St. Louis
70037—Belle Chasse, LA	8 miles to New Orleans

Private companies pile additional fees on top of delivery area surcharges

The table below compares cost estimates for FedEx, UPS, and USPS to deliver a three-pound package (the weight of a couple books or a pair of shoes) to four routes. We chose these routes to illustrate delivery costs differences between a) a major city (Los Angeles), b) an extended delivery surcharge small town 60 miles away from LA (Somis), c) an intermediate route between large cities, and d) a rural delivery.

As the table reveals, the private corporations are already charging substantially more than USPS for deliveries along each of these routes. In addition to area surcharges, the private carriers also impose extra charges for fuel (based on distance) and residential delivery (reflecting the higher cost of home deliveries for companies that, unlike the Postal Service, aren't already visiting homes every day). The Postal Service has none of those surcharges.

For shipments using customer-provided packaging, FedEx, UPS and USPS all calculate base rates based on weight and distance (according to zones). The USPS however offers flat rate boxes in which the rate is based solely on the size of the box selected, not on weight or distance. In some cases, flat-rate boxes offer significant savings over customer supplied packaging. Delivery times listed are based on expected times as listed on the USPS website.

Rates and fees for 2-day delivery service to residence of a 3-pound package to 4 routes²						
	Philadelphia-Los Angeles (a) (2,388 miles)		Philadelphia-Somis, CA (b) (2,424 miles)		Chicago-Denver (c) (1,002 miles)	Billings, MT-Belt, MT (d) (200 miles)
FedEx	2-day		2-day		2-day	Home Delivery
<i>Base rate</i>	40.50		40.50		26.45	10.06*
<i>Fuel</i>	4.02		4.41		2.75	Included in base
<i>Area surcharge</i>	n/a		4.40		n/a	4.00
<i>Residential delivery</i>	4.15		4.15		4.15	0.00
Total cost	\$48.67		\$53.46		\$33.35	\$14.06
UPS	2nd-day air		2nd-day air		2nd-day air	Ground
<i>Base rate</i>	40.47		40.47		26.42	10.59*
<i>Area surcharge</i>	0.00		4.45		0.00	Included in base
<i>Fuel</i>	4.13		4.54		2.83	4.00
<i>Residential delivery</i>	4.15		4.15		4.15	0.00
Total cost	\$48.75		\$53.61		\$33.40	\$14.59
USPS²	Flat Rate Priority (medium)	Priority Mail (customer-packaging)	Flat Rate Priority (medium)	Priority Mail (customer-packaging)	Priority Mail (customer-packagin)	
<i>Base rate</i>	13.65	17.30	13.65	17.30	11.75	8.80
<i>Area surcharge</i>	0.00	0.00	0.00	0.00	0.00	0.00
<i>Fuel</i>	0.00	0.00	0.00	0.00	0.00	0.00
<i>Residential delivery</i>	0.00	0.00	0.00	0.00	0.00	0.00
Total cost	\$13.65	\$17.30	\$13.65	\$17.30	\$11.75	\$8.80

***Note:** Both FedEx and UPS deliver between Billings and Belt, Montana in 1 day. FedEx and UPS include fuel charges in their base rates for ground delivery service (Billings-Belt). USPS flat rate box rate is for medium-sized flat rate box. For all examples we assumed customer drop-off at FedEx or UPS service location. Pick-up from customer or business residence costs additional, unlike USPS which will pick-up pre-paid shipments for no additional charge.

In the table below, we show that with residential ground deliveries, USPS delivery costs are also lower, particularly for ZIP codes with delivery area surcharges. This table does not break out extra costs for fuel charges and residential deliveries because FedEx and UPS roll those surcharges into the base rate for these ground shipping services.

Cheapest residential delivery options for a 3-pound package for 4 routes²				
	Philadelphia-Somis, CA (2,424 miles)	Philadelphia-Los Angeles (2,388 miles)	Chicago-Denver (1,002 miles)	Billings MT-Belt MT (200 miles)
FedEx (ground shipping)	4 days	4 days	3 days	1 day
<i>Base rate</i>	15.20	15.20	11.16	10.06
<i>Area surcharge</i>	4.00	0.00	0.00	4.00
Total cost	\$19.20	\$15.20	\$11.16	\$14.06
UPS (ground shipping)	4 days	4 days	3 days	1 day
<i>Base rate</i>	16.01	16.01	11.75	10.59
<i>Area surcharge</i>	4.00	0.00	0.00	4.00
Total cost	\$20.01	\$16.01	\$11.75	\$14.59
USPS² (2-day)	Medium Priority Mail Flat Rate Box		Priority Mail (customer packaging)	
<i>Base rate</i>	13.65	13.65	11.75	8.80
<i>Area surcharge</i>	0.00	0.00	0.00	0.00
Total cost	\$13.65	\$13.65	\$11.75	\$8.80

Private companies spread delivery surcharges — not cheer — during the holiday season, no matter where you ship

In addition to added fees for deliveries to many suburban, small town and rural addresses, UPS charges Peak Surcharges of \$0.27 per package during the Black Friday/Cyber Monday shipping period (November 19–December 2) and again during the week before Christmas (December 17–December 23). UPS non-ground express services bear higher surcharges, maxing out at \$0.99 per package for 3-Day Select Parcels dropped off between December 16 and December 22. This might not sound like much, but consider that both FedEx and UPS make the largest share of their annual profits during the Christmas holiday period. Twenty-seven cents times millions of shipments means hundreds of millions of dollars shifted from consumers’ pockets to private companies’ bank accounts. If privatization were to eliminate competition from the USPS, private carriers would likely charge even more for holiday deliveries, gouging the public during the season of giving.

The private companies' delivery area surcharges are the highest for service to Alaska and Hawaii.

Cheapest delivery options for Alaska and Hawaii²				
	Los Angeles-Bethel, AK (2,352 miles)		Los Angeles-Kula, HI (2,500 miles)	
FedEx (Two-Day Air)	2-day		2-day	
<i>Base rate</i>	65.55		65.55	
<i>Area surcharge</i>	26.00		8.00	
<i>Residential delivery</i>	4.15		4.15	
<i>Fuel surcharge</i>	8.61		6.99	
Total cost	\$104.31		\$84.69	
UPS (Ground)	4-day		3-day	
<i>Base rate</i>	56.97		56.97	
<i>Area surcharge</i>	26.00		8.00	
Total cost	\$82.97		\$64.97	
USPS Priority Mail (3-day)	Flat Rate Priority (medium)	Priority Mail (customer-packaging)	Flat Rate Priority (medium)	Priority Mail (customer-packaging)
<i>Base rate</i>	13.65	17.30	13.65	17.30
<i>Area surcharge</i>	0.00	0.00	0.00	0.00
<i>Residential surcharge</i>	0.00	0.00	0.00	0.00
<i>Fuel surcharge</i>	0.00	0.00	0.00	0.00
Total cost	\$13.65	\$17.30	\$13.65	\$17.30

USPS has no extra charges for delivery during peak times. Unlike FedEx and UPS, which charge extra for Saturday delivery, Saturday delivery for USPS shipments is free to every U.S. address, and some urban areas also get free Sunday package service on USPS Priority Mail packages during holiday periods. (FedEx and UPS don't deliver on Sundays, no matter what you pay.)

USPS receives no tax dollars

Postal privatization advocates claim the U.S. Postal Service can offer lower delivery rates than private corporations because this public entity doesn't pay taxes on earnings and relies on taxpayer subsidies. In reality, USPS receives no taxpayer subsidies. Moreover, it calculates a payment based on an estimated tax rate on the profits it makes from its most competitive line of business — namely, package delivery. This "tax" payment goes into the Postal Service Fund to sustain the extensive USPS network and support surcharge-free delivery to citizens in remote areas. Without this commitment to equal and universal service, tens of millions of Americans would face exorbitant delivery prices. The private carriers would lose something too; the Postal

Service's last-mile delivery network brings at least [30 percent of FedEx packages and 40 percent of Amazon orders to the door.](#)

Conclusion

If the U.S. Postal Service is privatized, our country's time-honored commitment to universal postal pricing and delivery will be in jeopardy. Private operators would very likely charge customers based on the actual costs of delivering each package in order to ensure that every delivery earns a profit. The estimated 70 million Americans living in places the private companies already charge extra fees – and those wishing to communicate and trade with them – would pay the biggest price, losing the affordable and reliable shipping services they have always enjoyed from the USPS

Businesses, from the online retail shops to manufacturers shipping parts to customers in need, could face sharply higher shipping costs, leading to higher prices for their customers or lower profits for their businesses. Small businesses would be hit especially hard, since they don't have the clout to negotiate the same level of shipping discounts as big corporations. Postal privatization would also destroy a vital and truly democratic public service. This extensive, centuries-old network helped build up American democracy and spread information and goods to every corner of the country. It has done so without discriminating in pricing or service based on where people live and work. In order to provide everyone in the country fair and equal service, the US Mail should not be for sale.

¹ Sources: ZIP codes affected by private carrier surcharges: [UPS](#) and [FedEx](#) websites. Population figures for these ZIP codes: U.S. Census Bureau, ZIP code tabulation areas (ZCTA), available through the [Census American FactFinder](#) website.

² For all shipments we assumed retail rates for customers using their own packaging. USPS, UPS, and FedEx also offer flat rate/one rate shipping boxes at lower rates and generally without surcharges. The USPS Priority Flat Mail products are cheaper than UPS or FedEx in each of the examples offered. All rates current as of October 25, 2018.

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