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FIVE POLICIES FROM ABROAD THAT COULD IMPROVE THE USPS

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INTRODUCTION

The world's national postal companies all serve different markets, with different infrastructure and regulatory authorities. But while they may look different at first glance, they are more alike than they seem. All postal operators must balance the demands of universal service with efficient operation. To do so, each seeks to find the appropriate technology to help them achieve these goals. And each faces the challenges of a stagnating letter market. In light of this, the U.S. Postal Service (USPS) could take many lessons from its peers abroad. Accordingly, the present brief provides five examples of policies the USPS and its congressional overseers could learn from as they chart the agency's path forward.

FINLAND'S GEOGRAPHIC INFORMATION SYSTEM TECHNOLOGY

Private delivery companies have long used sophisticated routing software to dispatch drivers efficiently. On the other hand, postal carriers, which necessarily serve every property, have had less reason to take on the costs. In this sense, a USPS letter carrier might have more in common with municipal waste haulers or bus drivers than their parcel-toting peers. But in some postal systems, like Finland's national carrier Posti, falling mail volumes have led to under-utilized letter carriers, as many houses receive no mail in a given day.

To combat this inefficiency, Posti has turned to Geographic Information Systems (GIS) technology, which combines detailed maps with powerful computers to do things like optimize delivery routes and find the best spots for mailboxes in housing developments.[1] In doing so, Posti has surged to the forefront of world post offices, improving delivery times and coping better with irregular postal and parcel volumes. Like the USPS, Posti carries parcels to most rural households in the country rather than private parcel companies, and it has managed to achieve the same delivery times promised by private carriers. This means even remote households can see delivery speeds similar to those in the city and suburbs, at competitive prices and without redundant infrastructure.

By contrast, the USPS remains reliant on fixed routes to dispatch its letter carriers. If it wants to improve its efficiency and increase its relevancy, it could follow Finland's lead and invest in or pilot dynamic routing programs. Like Posti, the USPS could also use network modeling to advise developers of its preferred location for neighborhood "cluster" mailboxes that limit the need for letter carriers to walk to each individual curbside box. This takes less time and puts less wear-and-tear on postal worker's bodies and vehicles. Both of these improvements could lead to better use of existing staff time and resources, and draw on tools already widely employed by other delivery companies.

IRELAND MAKES RECEIVING OVERSEAS PACKAGES EASY

International mail can be a confusing process for customers to navigate and as a result, those who order parcels from abroad often face delays or other mishaps. Nevertheless, those who have lived abroad demand products from the places they once called home and many of these products and brands are only available on foreign websites. In some places, this reliance on foreign e-commerce companies has generated substantial, growing volumes of small packages that did not exist in the past.

For example, due to the small size of its own domestic market, Ireland is particularly reliant on parcel shipments from the United Kingdom and United States. Accordingly, Ireland's national carrier, AnPost, has had to find ways to counteract the problems involved with international parcel mailing. To do so, it has developed a "virtual address" that customers can use to shop from American and British companies as easily as they can Irish ones.[2] These virtual addresses are strategically placed AnPost depots, located in the United Kingdom and the United States, that allow customers to have their

orders shipped there. The company then moves the parcels to Ireland, to be picked up at local post offices or delivered to the customer's door as part of normal mail delivery. The opportunity to use a virtual address opens new opportunities for consumers and businesses to import specialty goods from abroad. This could grow the international mail market as receiving goods from abroad gets easier and provides an extra revenue stream on top of standard international mail profits.

The USPS might benefit from a similar set up for nations from which it receives large amounts of mail and small parcels. Many Americans have particular products from abroad that they value and would gladly pay to import if they could easily shop on foreign websites and receive deliveries via a virtual address system like the one AnPost employs. USPS depots in places like the United Kingdom, Japan, the European Union and elsewhere could open an entire world of retail for Americans should demand eventually support it.

DENMARK REIMAGINES UNIVERSAL SERVICE

Over the last two decades, decreasing letter volume has been the defining challenge for post offices around the world. No mail carrier has felt this effect more strongly than Denmark's PostNord, which saw a 73 percent decline in letters between 2000 and 2018.[3] However, to face this new market environment and accompanying limits on state aid to mail carriers imposed by the European Commission, the Danish national carrier has adapted.

Before 2016, PostNord offered two types of letters "A" and "B," which were the equivalents of priority and standard mail in the United States and like the USPS, it delivered mail six days a week. However, from 2015 to 2016, the carrier experienced a 16 percent decline in letter volume, which blew a hole in its budget and forced it to double its "A" letter rates.[4]

After this crisis, the carrier recognized its long-term niche was in providing regular, universal mail service at reliable, if not quick, speeds—nothing more, and nothing less. Accordingly, it collapsed its mail offerings into two categories, express mail and standard letters. Standard letters are the equivalent of the previous "B" letters, abolishing the "A" letter product entirely. The company also defines "letter" more broadly as any parcel up to the volume of 90 linear centimeters or just less than one cubic foot. Letters can also weigh up to 2 kilograms (4.4 pounds). This is far more generous than American rules that limit letters to no more than one-quarter-inch thick and less than 13 ounces. This adds flexibility for consumers while standardizing the package business for PostNord. As a result, Danes have little reason to send bulging envelopes to skirt higher postal prices like Americans do, as they can simply put stamps on small boxes. PostNord also reduced its delivery schedule to only five days per week

or every non-holiday business day.[5] Guarantees on how fast letters arrive were also slowed from three to five days.

These Danish reforms are a model for reintroducing a "back-to-basics" approach to the postal business model. While USPS letter volumes have not collapsed 73 percent, they have fallen 40 percent from their peak and are now lower than in 1980.[6] Nevertheless, letters remain its largest revenue stream.[7] As volumes fall further, it needs to rethink its postal products, consolidate or eliminate some and focus on getting letters to their destination in the promised number of days. To do so, Congress might also take the opportunity to define some small parcels as "letters" in postal law, which would allow the elimination of certain size limits on envelopes. At any rate, USPS leadership should be watching and learning from PostNord's lead.

THE NETHERLANDS ADAPTS TO HOW AND WHERE CUSTOMERS LIVE

Intra-urban deliveries are the golden goose of the postal business, as mailboxes in apartment and office buildings are closer together than mailboxes in the suburbs or rural areas. This means it costs less to move a letter within a city than it does to move it hundreds of miles. And this concept is at the bedrock of the standard postal business model that does not price by distance.

Recognizing this, PostNL, the national carrier of the Netherlands, is looking to double down on this market by experimenting with same-day delivery in these high-volume areas. Demographically, the Netherlands is extremely urban, which gives PostNL a powerful incentive to find new ways to serve these particular mail customers. In response, the company has begun to offer businesses the opportunity to partner with it to offer same-day delivery within the nation's two largest cities, Amsterdam and Rotterdam.[8]

This business model solves a few problems particular to urban settings. First, cities have struggled to find an answer to traffic caused by the increased number of different delivery, rideshare and other transient road services. This traffic also adds uncertainty for companies that offer delivery themselves because it makes it difficult to anticipate driver delays—particularly those caused by other delivery services increasing overall traffic and clamoring for parking. To serve the same-day, within-city delivery market with a single company that already must serve every address by law is one way to reduce such issues.

The Dutch model is illustrative of how a national postal carrier can adapt to its environment and leverage its status as provider of universal postal service. Every mail carrier will have some natural advantages based on where and how its customers live. In urban countries like the Netherlands that

have a handful of big, old, congested cities that might be same-day delivery, whereas in large countries with substantial rural populations like the United States, the advantage might be in making rural delivery especially efficient.

This could come in many forms. For example, drones would allow better management of small post offices and autonomous vehicle-assisted delivery may also help. The important thing USPS can take from PostNL is that mail carriers, like other businesses, benefit when their internal culture of entrepreneurship encourages them to take small risks that double down on the core strengths of its unique national postal market.

SINGAPORE IS PERFECTING AUTOMATED POSTAL MACHINES

Since rolling them out more than a decade ago, the U.S. Postal Service has struggled to successfully scale automated postal machines. These devices provide basic postal services like buying stamps without the need to wait in line. However, despite widespread complaints about long lines, the devices are not present in every post office and even when they are present, they are limited to a handful of purchase types.

Half a world away, however, Singapore's SingPost has found a way to get automated postal machines right. Their devices use proven, off-the-shelf Apple iPad hardware and the same website that customers use on their home computers and phones is the touchscreen interface on the kiosks.[9] Combined, the more-standard hardware and software offer more functions and are easier to use than USPS's self-service machines.

Indeed, SingPost's machines do almost anything a counter worker can do. In fact, they are first in the world to have used the machines to automate the sending of registered mail and small parcels, opening a new frontier in postal machine capability. Additionally, using off-the-shelf hardware makes the kiosks cheaper to scale and avoids the delays and pitfalls of designing and testing a new purpose-built machine.

This has numerous benefits. First and foremost, they save customers time, following a general trend toward more self-service options in retail. They also take some of the pain out of holiday shipping, as those with small and simple orders free-up clerk time to handle more complex postal orders. The lesson here is that a post office can get value out of well-designed, broadly functional and widely implemented automated postal kiosks. The lesson for the USPS is that using off-the-shelf hardware and working to make kiosks one of the main interfaces with the postal service could yield benefits similar to those experienced in other retail businesses.

CONCLUSION

A changing and generally declining postal market has forced adaptation among world postal operators. It is time for the United States to follow their lead. Regardless of how it adapts, America's postal agency and Congress are fortunate to be able to look to other carriers around the world and to emulate best ways forward. From broad systemic and product changes to adding more self-service machines, if USPS is to thrive, it will need to quickly learn and implement the proven, low-risk successes of its peers abroad.

ABOUT THE AUTHORS
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ENDNOTES
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