

Concerns Regarding Post Office Box Rents Resulting from the Last Post Office Rate Increase (Spring, 2007)

The National League of Postmasters has great concerns over the changes caused by the Postal Service Rate case that became effective on May 14, 2007. Due to the case implemented on that date, as much as 50% of all of America's Post Offices moved their fee groups for post office boxes. In many smaller post offices, that meant that the box rents took a sharp move upward, some as much as 33%, which reflected, also an increase of as much as 350% over the last 10 years.

The result of this large increase was predictable; many post office box holders closed their post office boxes to opt for the delivery that they received for free on a rural route, or if they had been renting a larger post office box, they moved to a smaller post office box where they would not be charged a box rent. In either case, the post office lost revenue on these changes. From a strictly supply and demand point of view, this was not a wise move. Many of these small post offices had box sections that were not fully rented. Raising the price on an item that is not in short supply usually results in fewer of the items being sold or rented; that is what happened with the post office boxes.

It is often stated by the Postal Service that our competitors, such as Mail Boxes Etc. charge higher rates for their delivery boxes, and that the Postal Service must rent their boxes at a rate that "the market will bear". In the smaller communities, there is no market, there is no competition, there is just the post office.

How this affects the customers served by a community's post office is very important. By raising box rents, we are forcing customers from a service that is a premium service, one for which they are willing to pay a reasonable cost. Many of these patrons are from families that have been renting post office boxes or the same post office box, for decades. For the post office box they are receiving timely mail delivery (mail is usually in post office boxes before 1030 am), mail protected from the elements, and mail security. The incidence of mail theft from post office boxes is significantly lower than from rural mailboxes. Many of the patrons who opt for the cheaper rural delivery are elderly people on fixed incomes, or younger people whose incomes are significantly lower than people in more urban, or suburban areas.

Patrons that move to rural delivery must go through the time-consuming change of address process. This process is also costly in time and money to the Postal Service. The actual delivery of the mail moves from where a postal customer is paying for a post office box, to where the Postal Service is paying to have that mail delivered by a rural carrier whose pay is based on the number of deliveries on the carrier's route. The shift to rural deliver moves a patron out of daily contact with the post office, which also reducing opportunities to sell that person postal and postal related products.

Interestingly, in more urban areas, post office box fees went down. This resulted in a decrease in the revenues generated in those post offices. Again, from a viewpoint of

supply and demand, this made little sense. Most of the box sections in the larger post offices are fully (90%) rented. Where the supply was down and the demand was up, a rent increase might have made more sense if revenue generation was a motive for the change in fee groups.

The National League of Postmasters believes that process for establishing fee groups for post office boxes needs to be examined.

Respectfully,

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President  
National League of Postmasters