

The Post Office: Explained – Episode 93

Bill Walton ([00:08](#)):

Hi, this is Bill Walton, and you're listening to the Bill Walton show. And I'm here with my friend and frequent guest, Brian McNicol. Brian's a veteran newspaper reporter and editor who grew up in the sports department of a daily newspaper, which is a great attribute for any writer, I think. Went to work on Capitol Hill and worked in a variety of DC policy organizations, including the Heritage Foundation and the Competitive Enterprise Institute. He's an independent writer now who grew up in Louisiana and lives in Virginia. And Brian has also written and thought extensively about the United States postal service, which is much in the news. It's become a political piñata with, most recently, Nancy Pelosi accusing Trump of destroying the post office because they're going around collecting old obsolete mailboxes. And that's just the latest in the long story of post office stories. Brian where are we here? What is this about?

Brian McNicol ([01:09](#)):

So the Democrats want to have a mail-in election. They want to put mail-in voting in States that don't already have it. So there are some States that do it now and they do it efficiently and they know how to do it. And it's not a big problem. But States that don't have it, what happens the mailman... First thing is set this up. The difference between mail-in and absentee voting, because one of the big talking points is Trump mails in his vote. No, Trump votes absentee, and absentee, you contact your registrar and you say I can't be there for the election, send me a ballot. So the registrar makes sure you're registered. They send you one ballot. And mail-in voting, they mail out the ballots to the voting list, which we all know voting lists are not... The hygiene on those are terrible.

Brian McNicol ([02:04](#)):

No one knows who's on it or who should be on it and so forth. I regularly get mail for the last five or six people who lived in this house. We used to also get... There was one of them, I guess, didn't pay her bills. And we used to get these dunning notices and the sheriff, stuff taped to the door and so forth. So they don't really know where we all are and they shouldn't. The government doesn't need to know where [crosstalk 00:02:29].

Bill Walton ([02:29](#)):

Are these ballots mailed to people? Are they mailed to houses?

Brian McNicol ([02:33](#)):

They're mailed to people, but the lists are not current. So there's no telling how many people with my address here in Reston are signed up to vote.

Bill Walton ([02:43](#)):

Well, who decides whether this is going to be a mail-in election? Absentee ballots have been used for years and years and years. The US military, a lot of people living overseas and traveling have used them and it's a very well-defined process and relatively free from fraud. Yet, as you point out, mail-in ballots are vastly not free from fraud. But who decides? Is it the federal election commission?

Brian McNicol ([03:13](#)):

It's State election law. How elections are administered is State law.

Bill Walton ([03:19](#)):

But if you're in Colorado, for example, and you decide you want to do mail-in and you're next door in... I don't know what's next door, Montana, I suppose. I think that's North of it. And they don't want to allow it. And yet you get a federal election, Trump V Biden. Does that mean you'd have in some States mail-in and some States no mail-in?

Brian McNicol ([03:43](#)):

Right. Well, there's already seven States that do only mail-in voting and they absolutely should keep doing that. If you have your system set up, then you're in good shape, but you go into a place like Illinois and stand this up 70 days before an election, just dramatically change how people vote. There's no way that that's going to be [crosstalk 00:00:04:09].

Bill Walton ([04:07](#)):

I didn't realize that there's seven States that already have only mail-in. They have no in-person local polling places? What are some of those States?

Brian McNicol ([04:16](#)):

Colorado is one. Utah. Washington.

Bill Walton ([04:20](#)):

I just got lucky on that one. Yeah. So that's already happening and it's not a problem. So let's circle back to the post office and what's going on with that. You've written about the post office for almost 15 years. And it's been losing money that whole time. What, 50, \$60 billion over the last 15 years. And it's on track this year, I believe, to lose about \$10 billion. And the statistics for their services are it's hardly a growth business. The number of first class letters have dropped by almost 40% in the last decade. And the only place where they really can make money is on that first class delivery service, even though that's shrinking. And then theoretically, they could make money on package delivery. Tell me about the economics of the post office.

Brian McNicol ([05:17](#)):

Okay. So the post office, they have a monopoly on two things. Only the post office can put something in your mailbox and only the post office can handle first class mail. So for those things, the first class mail is its most profitable product. Like you said, the internet crushed first class mail. We pay our bills online, all the things that went through the mail, don't go there. [crosstalk 00:05:44].

Bill Walton ([05:41](#)):

Wedding invitations are all now E-vite and that.

Brian McNicol ([05:45](#)):

Right. Yeah. My kids, they've had about 10 pieces of mail in their life. No one uses it. But package volume has gone up. So the post office is trying to capture this. They have this big last mile network. They hit 160 million addresses a day. And they're the only ones who can do that. And they're the only ones who can make some of the deliveries. So they have the other people by the tail a little bit, the

other delivering people. So what they can do... So what they're trying to do is make profit off of that to shore up the rest of it. But they don't know how to price it since they're weighing between things that you have a monopoly on and things they don't have a monopoly on, such as package delivery. They jumble those costs and don't assess them properly. It's a unique situation. I don't know that it goes on anywhere else in business. So they under price their stuff.

Bill Walton ([06:51](#)):

I unfortunately, well, fortunately, maybe. I worked my way through business school teaching accounting, and there's generally accepted accounting principles. But there's also cost accounting, which is where you're careful about allocating your overhead to different kinds of products. And as I understand it, the postal service allocates about 5% of their overhead to package delivery. And that was set years and years and years ago, but now package delivery is 25% of their volume, but they're still allocating only 5% of their overhead, which means they're missing billions and billions of dollars of costs in their pricing calculation.

Brian McNicol ([07:34](#)):

That's right. And, for instance, they've had to buy a whole new fleet of trucks that are better suited to carry packages. All the little Brahman delivery vehicles that they've used for 30 years now, they're having to go through and systematically replace them all. That's a \$60 billion expense and it's all to support the package side of the business.

Bill Walton ([07:57](#)):

The postal service has been losing money and yet people say it's a separate corporation. How have they been funding or financing those losses for the last 15 or 20 years?

Brian McNicol ([08:09](#)):

Well, they had a \$15 billion line of credit back in about 2008. They got a \$10 billion loan.

Bill Walton ([08:18](#)):

Line of credit from who? The treasury? The fed?

Brian McNicol ([08:21](#)):

From the treasury. From the first coronavirus relief bill they got a \$10 billion loan guarantee. Beyond that they have cut services. They used to be in department stores and walk up things. They cut out all that. They've cut some employees, they've gone from union full employees to these city carrier people, they call them, where your only job is handling Amazon packages. They're nonunion. They make about eight or 10 bucks an hour. So that's part of it. The labor costs of the post office are a third higher than FedEx, UPS, those guys. So that's another thing they're battling because you have a union basically undermining any chance of profitability and they've got you over a barrel.

Bill Walton ([09:17](#)):

Well, [Romina Boccia 00:09:18] at Heritage written about this and she thinks labor costs are the big problem. It sounds like they are a big problem.

Brian McNicol ([09:25](#)):

They are a big problem.

Bill Walton ([09:26](#)):

But the postal, with all this uproar, Pelosi and Schumer claiming fraud, and they're claiming that Trump's interference with the post office is just like the Russian interference with the election. Sounds familiar.

Brian McNicol ([09:46](#)):

The latest [inaudible 00:09:47].

Bill Walton ([09:48](#)):

But the postal workers union just endorsed Biden. What are the politics there?

Brian McNicol ([09:54](#)):

There are two postal unions and they both endorsed Biden. And the most recent one, American postal workers union, the statement they gave was really harsh and tough on Trump. And so, I was going to ask my friends on the other side of the aisle, if those two unions had come out for Trump, would you be pushing for mail-in elections? They'd come out that stridently on the other side, would you be for this? Because I don't think they would because I don't understand how you would trust the election to be in the hands of people who have publicly denounced you in this way.

Bill Walton ([10:28](#)):

Well, yeah, big, big factor. I don't think we think the postal workers would be complicit in this. If there is a problem with mail-in balloting. Maybe. I don't know.

Brian McNicol ([10:37](#)):

They have been.

Bill Walton ([10:37](#)):

What do you mean?

Brian McNicol ([10:38](#)):

There have been some cases where they've fined postal workers...

Bill Walton ([10:42](#)):

I still find myself naive on all these things.

Brian McNicol ([10:44](#)):

Dumping ballots. [crosstalk 00:10:47].

Bill Walton ([10:45](#)):

What are examples of some of the ways that it's been abused?

Brian McNicol ([10:52](#)):

Well, they found 120 000 ballots in trash cans in a dumpster in Nevada. They find ballots dropped off that haven't been made out or ballots not delivered. There's been seven or eight cases already made against postal workers for cheating in elections on behalf of Democrat candidates.

Bill Walton ([11:15](#)):

What about the battleground States, how many of them are mail-in, and how many of them are in person?

Brian McNicol ([11:22](#)):

Well, Colorado is a battleground state. That's a mail-in.

Bill Walton ([11:27](#)):

Wisconsin, Pennsylvania, Michigan.

Brian McNicol ([11:30](#)):

Those are not.

Bill Walton ([11:31](#)):

North Carolina, Florida.

Brian McNicol ([11:32](#)):

Pennsylvania is trying to do something.

Bill Walton ([11:33](#)):

Okay. But the fight's going to be at the State level, as to whether this happens. And what are the odds now? How is that shaping up? Is this a, once again, a partisan thing where you got a Democrat controlled legislature would be pushing for it and therefore it might happen?

Brian McNicol ([11:51](#)):

Well, in Nevada, they snuck into town and passed a law about this, to make Nevada a mail-in state. What could go wrong, right? And the justice department has, or election people have sued to stop it from taking over in this way. And I'm watching that suit, because if they get an injunction, that's the signal to a lot of other States not to try. I don't think they have... I don't trust this. And I think the polling is about 60% of the people are skeptical of the integrity of mail elections. And I think that's something you're going to have to think about.

Bill Walton ([12:33](#)):

So coming back to the... Is there any other aspect of the mail-in that we haven't talked about, that you worry about? I'm trying to think about...

Brian McNicol ([12:47](#)):

Well, I mean, you're talking about, bundling gets to be a big deal here. What they call ballot harvesting. Where your ballot might not make it, we'll come pick up your ballot and take care of it for you. That supposedly turned four congressional elections in California in 2018. Four Republicans who lost.

Bill Walton ([13:09](#)):

How does bundling work?

Brian McNicol ([13:11](#)):

So, you don't have to mail your ballot. I'll go all through my neighborhood, knock on your door, you give me your ballot, I'll take it down there and deliver it for you. So, if you haven't marked it, I can mark it for you. So, it's that kind of thing. You're picking up people's ballots, you're dropping off bundles of ballots.

Bill Walton ([13:33](#)):

Well, this sounds like a terrible idea. So, let's talk a bit about Jeff Bezos, Amazon, and US postal services cost and package delivery. Tell me about that relationship and how did that come about?

Brian McNicol ([13:54](#)):

So when the postal service was really trying to grow the package business to make up for the loss of the money for regular mail, first class mail and so forth, they were kind of vulnerable. They were kind of begging for business. So he went in and made a deal with them, deliver Amazon packages, we'll give you a huge volume. And it's a huge volume. And they still deliver about three fourths of Amazon's packages, but they charge them \$2. And it costs about three and a half for the post office to deliver it. So every time that someone sends a Amazon package, you put a little dent in the post office bottom line.

Bill Walton ([14:39](#)):

And even that understates the real costs because you're saying that that extra dollar, 60 cents or something like that, that doesn't even include all the overhead that ought to be calculated.

Brian McNicol ([14:50](#)):

Right. That's, as they calculate it now, which is not-

Bill Walton ([14:55](#)):

It's probably closer to cost. It should cost five bucks and Amazon's paying two?

Brian McNicol ([15:00](#)):

Right.

Bill Walton ([15:02](#)):

So Jeff Bezos owns Amazon. He also owns this newspaper. What do they call it here in Washington? I think they call it the Washington Post.

Brian McNicol ([15:13](#)):

Yeah, that's right.

Bill Walton ([15:14](#)):

We're talking about a highly partisan paper. I get a newsfeed for the headline. And it's just one thing after another. I mean, Trump is killing babies. Trump is getting us into war. Trump's not going to war.

Trump this, Trump, Trump. And now this thing with the post office. Are the Democrats protecting the relationship that Amazon has with the US postal service?

Brian McNicol ([15:41](#)):

That's a big part of what's going on. He's also donating millions and millions of dollars to Democrat packs. So he's a big player in politics, aside from owning the Washington Post.

Bill Walton ([15:55](#)):

So does this have traction? I mean, where do you see this going? We're now, it's in August almost September and we've got election coming up in 75 days or so. And what do you think's going to happen between now and election day?

Brian McNicol ([16:10](#)):

I don't think States can stand up mail-in ballot systems between now and November. And I think some are going to try, like Pennsylvania is trying and they sent some sample ballots and it hasn't worked out. They haven't arrived on time and they tried to send them back. They don't arrive back on time. The post office sent a letter to, I think, 26 States the other day. One of which was Pennsylvania and saying, "As we understand your election laws, we can't guarantee you that we could get those ballots out to the people. And then back in to the election officials in time. So, you either got to change the laws or change the procedures or do something to give us a better chance." It's not a matter of capacity.

Brian McNicol ([16:57](#)):

The new postmaster general says they have plenty of capacity. This business about the mailboxes. They're not taking mailboxes off the street to thwart the election. There's a lot of vandalism of those mailboxes. A lot of people there's worried they put bombs in them. There's worry they hide weapons in them. They think people have figured out how to stick a rope down and pull stuff back out of them. So that's why the mailboxes are coming off the street. And that's a long standing thing. That was going on long before any of this.

Bill Walton ([17:26](#)):

There are lots of visuals now of postal services flatbed trucks with mailboxes on them. And that's supposed to be Trump ripping up mailboxes to keep people from voting. But it turns out that there was some 14 000 mailboxes were removed during Obama's presidency?

Brian McNicol ([17:43](#)):

Right. I mean the post office is getting those things off the street. They're making you come to them. It's a lot cheaper and it's a lot more efficient. And people who have to mail, if you've got to go somewhere to mail something, does it matter if it's the box out on the street or the post office a block away? Not really.

Bill Walton ([18:02](#)):

What do we have? Don't we have something like 160 000 post offices all over the country?

Brian McNicol ([18:08](#)):

Yes.

Bill Walton ([18:09](#)):

So we're talking 10% or less. And so many of them were not being used?

Brian McNicol ([18:16](#)):

Right.

Bill Walton ([18:17](#)):

So if you-

Brian McNicol ([18:18](#)):

You're never going to shut them. I mean, that's not really the place to look for it, because people do rely on it. People look at it as kind of a community center, a place to meet people. A lot of times they're within stores and so forth. And so there's not any extra space needed for it. Their real estate costs are low. And when you start running that at Congress, that's one thing that bipartisan poison. People do not want the post offices closed and the political pressure will never ease off of that. That's not where to look for savings because it's not going to happen.

Bill Walton ([18:57](#)):

Well, I live in a small town in Virginia, in Rappahannock County, Little Washington, and we lost our post office because of a lease. And the powers that be in DC somehow thought we didn't need a post office. Well, we're the County seat. We're also, I think, the claim is that Washington, George Washington surveyed our town 250 years ago when he was a surveyor. So there's a lot of historical connection here. It's also a community center. And so we, through a lot of hard work, we're now going to get our post office back, but it was clear they really didn't want to. They didn't really want to replace it. And I think in all these areas in our County, we've got I don't know how many different post offices, six or seven. And they're pretty vital. I mean, people show up, you chat. It's all part of maintaining community. And some people believe that the pulling up all the local post offices is another way to get at civil society, which is they don't want people convening informally. And I'm going straight into some of the darker sides of this conspiracy, but-

Brian McNicol ([20:12](#)):

And you're in the... It's the most rural County in Virginia, right? Rappahannock?

Bill Walton ([20:16](#)):

We're the second least densely populated County in the State. And the next one is a coal mine County down in South Eastern Pennsylvania. Yeah. So we don't have a lot of people. We don't even have a spotlight. So if we don't have a post office, we don't have much to do here.

Brian McNicol ([20:38](#)):

I hear you.

Bill Walton ([20:43](#)):

So, the view is we'll probably keep the post office. They're going to disappear slowly, but United States postal service has got to figure out its cost. We've got a new postmaster. I don't know if it's postmaster general or what the title is, but what's his background?

Brian McNicol ([20:57](#)):

So he owned a logistics company and his thing has been high speed, high value mail processing. He's been in this business for a long time. So what he's done that has the Democrats spun up, is he's saying, they were spending \$250 million a year on what they call extra trips. So the carrier is supposed to leave at nine to go do his route. He leaves at nine. The mail that hasn't been processed by nine is there on the floor of the post office. He goes back. He gets that. He makes a second delivery. But what the new postmaster general is saying, which is the private industry standard, is put all that mail in his bag at nine o'clock. When he leaves at nine, he needs to have what he needs for the day.

Brian McNicol ([21:48](#)):

Because we don't want to make second trips. We don't want to pay over time. We don't want to buy all that fuel. And they're looking at this as a, when fully implemented, a half a billion dollar savings, just making them do stuff on time. Just making them honor the schedules they set out. So what had happened is, it's a union workforce, it's a pro Democrat administration of the postal service. And they've waived the rules when they needed to and not made people do things on time.

Bill Walton ([22:19](#)):

So people have been complaining about the post office inefficiencies for decade after decade after decade. And we finally get a CEO in there who's doing the right things to right size its cost and efficiencies and delivery schedules. And he's become a demon because of that.

Brian McNicol ([22:37](#)):

Right.

Bill Walton ([22:38](#)):

Now, I think it also is... We need to point out he's a Trump donor.

Brian McNicol ([22:43](#)):

Right. That's right. About two and a half million dollars. And he was running the Charlotte convention. He was putting that together before he got moved to Jacksonville and then ultimately canceled.

Bill Walton ([22:55](#)):

And the Democrats have all got a bill, I believe, that says that they're not allowed to make any change to the post office or they're supposed to roll the clock back to January 1st, 2020. So everything he's done, they want to unwind.

Brian McNicol ([23:09](#)):

Right. Turtle will handle. McConnell's not going to take that bill on.

Bill Walton ([23:14](#)):

Okay. Well, it's one of the many bad ideas that... It's amazing, Brian. You know I've talked about this a lot. Everything has become political. I mean the post office is now political, sports is political, music's political, everything's political. And this is just the latest piñata. And I understand that he was appointed, Trump didn't appoint him directly. He was elected by the postal, the board of governors?

Brian McNicol ([23:45](#)):

Yes.

Bill Walton ([23:46](#)):

Of course. He probably helped influence that vote. But nevertheless, a lot of people thought it was a good idea.

Brian McNicol ([23:56](#)):

And they're asking for this bailout of money, that's what it is. They call it other names but that's what it is. But they've been asking for the bailout money for four or five years, and they've been moving back the date strategically saying, "If you don't give it to us by last September." The postmaster general then said, "If you don't give it to us by February, we'll be out of money." So, I mean, there've been this, if you don't give it to us we'll have to close, threat has been over the post office head for five years now.

Bill Walton ([24:30](#)):

Well, and the postal service also has not been funding its pension plan has it?

Brian McNicol ([24:35](#)):

Right. It hasn't made a payment into the pension plan since 2011. So they complain about, it's the pre-funding requirement in 2008. But Congress changed the way the post office was governed. And they said it had to pre-fund all its benefits. Now, FedEx and UPS are paying benefits too, right? It's not like the postal service is the only one paying benefits. In 2011 they just stopped paying it and it would not make them... Some people act like, well, if you take that requirement off, they would be profitable. Their expenses are higher than their revenues. I mean, they would have lost money without any, and they haven't paid for any, they have about \$160 billion problem now with regard to pensions and retiree health benefits.

Bill Walton ([25:23](#)):

So if you wanted to fix the post office as a CEO, you first would do, I expect, with what's his name? Louis...

Brian McNicol ([25:31](#)):

DeJoy.

Bill Walton ([25:32](#)):

Louis DeJoy. He's probably saying, okay. I want to do a rigorous analysis of our cost structure. And I guess Congress asked his predecessor for that a couple of years ago and she failed to produce it.

Brian McNicol ([25:45](#)):

Correct.

Bill Walton ([25:46](#)):

As you pointed out now, it looks like she won't have an opportunity to do that because she's out of a job. So you want to do a rigorous breakdown of the cost structure and what are the major lines of business the post office is in?

Brian McNicol ([26:00](#)):

So it's first class mail, it's marketing mail, it's packages, money orders. There's not much more to it than that.

Bill Walton ([26:10](#)):

Okay. That's pretty simple then. So what you then want to do is allocate your real cost to those and then price it accordingly.

Brian McNicol ([26:16](#)):

Correct.

Bill Walton ([26:17](#)):

And you want to basically go after the package delivery business because that's the one that's growing.

Brian McNicol ([26:25](#)):

Right.

Bill Walton ([26:26](#)):

But you go straight at Amazon if you do that. And probably, if you cost it properly, plus a profit margin, you're going to be charging Amazon maybe \$6 a package, instead of two?

Brian McNicol ([26:45](#)):

It may not even be that much because you have some efficiencies. You have a huge delivery network and all that. So you have some competitive advantages even in their competitive lines. Plus they also make a lot of money since they're the only ones who can put it in a mailbox. They make money doing the last mile deliveries for FedEx and UPS.

Bill Walton ([27:08](#)):

So if we wanted to fix the post office, we do this cost analysis. We price the package delivery. We change expectations about what people want. Would going to five day delivery, would eliminating Saturday for postal operations... I mean, I wish they wouldn't. I like Saturday, but is that something that's on the table?

Brian McNicol ([27:29](#)):

He had his first quarterly call the other day where he talks about the earnings situation. And he said, no. He said he was not. He said they were prepared to meet the universal service obligation six days a week, every address in the country.

Bill Walton ([27:45](#)):

So you got to like that. Now, do you change the cost of first class mail or the price rather?

Brian McNicol ([27:52](#)):

It's already their most profitable thing. And I think that you've chased away enough customers already. You may have to stick with what you have.

Bill Walton ([28:02](#)):

And then how about the post offices? Can I keep my little post office in Little Washington? We don't take up much space, budget's not very big. And we've got an awfully sweet postmaster, Tina. I'd hate to lose Tina.

Brian McNicol ([28:20](#)):

Right. I don't see that happening. I see them moving against that because that is one thing that nobody wins votes by closing post offices.

Bill Walton ([28:29](#)):

And then I've got a final question just to circle back to the voter issue. Do you think that if we... My belief is that the post office itself could handle mail-in ballots.

Brian McNicol ([28:42](#)):

He said that.

Bill Walton ([28:42](#)):

It's not a question of the post office dumping stuff. I mean, there may be some occasions in Las Vegas maybe, but generally speaking, the post office has the capacity to handle this. Is that correct?

Brian McNicol ([28:53](#)):

That's correct. He said that on the quarterly call and we're absolutely ready if every State in the country went mail-in voting.

Bill Walton ([29:02](#)):

Well then, so, let's you and me get to Louis and say, we agree with your CEO turnaround plan, Louis. We're for you, but we got to start. Job one is Amazon.

Brian McNicol ([29:15](#)):

That's right. And the other, that's not the only contract they have like that. [crosstalk 00:29:21].

Bill Walton ([29:20](#)):

All the other package delivery contracts. Yeah. I bet he understands that, given his background. Okay. Final thoughts because we're wrapping up here. I think next week we're going to talk about football, which is going to be fun.

Brian McNicol ([29:34](#)):

Fired up for that. Final thoughts is this is not the post office. We don't need the post office to have an election. If you can riot, you could go to the polls and vote. So when they say we can't have the election

because of the post office, that's not true. Most of these States have not even moved to implement a mail-in voting system. So, it's a whole bunch of hot water about absolutely nothing.

Bill Walton ([30:03](#)):

Well, okay. I think that sums it up. You've been listening to the Bill Walton show and I've been here with Brian, my friend, Brian McNicol and colleague and continuing guest. And we've been talking about the United States postal service. It is fixable. And I do think we can have an election as planned. Stay tuned. We've got an upcoming episode. We're not sure when it will come out, but we want to talk about college football and football generally in America, in the fall season of 2020. And what I want to get into with Brian, because he's a political maven, is how canceling big 10 football, which is where I got to watch a lot of football, might affect the election.

Brian McNicol ([30:48](#)):

Yeah. It could.

Bill Walton ([30:49](#)):

Okay. So anyway, thanks Brian. We'll talk next week.

Brian McNicol ([30:54](#)):

All right.

Speaker 3 ([30:54](#)):

Thanks for listening. Want more? Be sure to subscribe at thebillwaltonshow.com or on iTunes.