Strengths and Weaknesses of the U.S. Post Office

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Postal Service Need for Efficient Mail Delivery Vehicles

Everyone has seen the traditional boxy mail-trucks. They have been around as long as much of young corporate America has been alive, twenty-seven years. However, recent studies show that they are about to become a figment of the past. The current mail delivery trucks are deemed unsafe, inefficient, and too small. Not to mention they, on average, are getting nine to ten miles per gallon of gas. The post office actually reported spending $539.7 million on fuel alone in fiscal 2014, partly because most of its trucks are more than 21 years old. The old trucks also do not have various safety features that are now mandated; such as anti-lock brakes, electronic-stability control, and airbags.

There are also high repair costs that the post office is having to pay. They old vehicles are experiencing everything from failing windshield wipers, to failing engines. The post office raised their vehicle maintenance budget from $100 million last year to $500 million this year alone to cover such expenses. However, the most pressing issue is that the old trucks were designed to deliver letters. Today, due to ecommerce, the post office has seen a 20% increase in the parcel business within the past five years. A spokesperson from the post office has acknowledged the need for new delivery trucks, and agrees that the replacement would improve efficiency, yet states that they do not have a firm vision of the new trucks’ design. Many drivers have contributed the opinions—stating that they would like to see better cup holders, and driver compartments where letters cannot fall between the seats. Additionally, the new vehicles will need to be larger so that they can carry more packages, have better engines, and be equipped with better safety features.

A contract to build 180,000 of these vehicles—averaging between $25,000 and $35,000 each—could be worth more than $5 billion, and General Motors is interested in winning the bid. The post office agrees that it is a good idea, however, a spokesperson claims they do not know where they will receive the funds for the new vehicles. The post office has maxed out its $15 billion credit line from the treasury, and is losing money every year due to prepayments of retiree health benefits. General Motors claims that they would try to work with the post office to accommodate their needs, as the two companies have worked together before to build the original mail delivery vehicles from a S-10 pickup-truck chassis.

The post office has many strengths and weaknesses. Some of their weaknesses include the continued decline in mail volume; the need to accommodate larger packages on delivery trucks yet not having immediate funding for the project to revamp vehicles; a maxed out credit line at the treasury; and their annual deficit. Some of their strengths are their historical presence; the millions of Americans every day that visit their local post office; and their extensive and efficient last-mile mail delivery network. They still also have many strategies that they can implement to succeed. One of their biggest advantages is that they have an enormous opportunity to leverage their assets to generate new revenue, as they are have the largest distribution system in the country. Additionally, if they can receive funding for more efficient mail delivery vehicles, their $539.7 million annual fuel budget and $500 million annual vehicle repair budget should decrease drastically, cutting expenses nationwide.

These issues tie into our classroom material. The post office is currently experiencing a problem of how the vehicles that used to supply the service is now in need of revamping to meet current demand—ideally becoming more efficient in the process, and even move the post office closer to a profit. The post office needs to find an equilibrium point where they can maximize their profit by possibly keeping some of their more efficient older vehicles and manufacturing enough new vehicles to compensate for the losses of the old ones without over extending themselves by purchasing all new vehicles. However, according to the economic theory, even if this is not planned, the free market will adjust so that it moves to an equilibrium—possibly by adjustments made in purchasing volume.
Hopefully the postal service will soon implement policies and changes that will satisfy the current demand.

Postal Service Seeks to Retire the Old Mail Truck

By ANNE STEELE

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Mail trucks are in line for a makeover. The boxy white vehicles first appeared 27 years ago, and consumer trends and age have now rendered them too small, inefficient and unsafe.

The U.S. Postal Service issued a request for information as the first step in replacing the aging delivery-vehicle fleet, which is suffering from wear and tear and burdening an organization already strapped for resources. General Motors Co., which supplied the chassis for the current truck, is interested in winning the contract, which could be worth more than $5 billion in revenue.

“Though the existing fleet has served the Postal Service well, it has become expensive to continue to maintain the aging vehicles. More importantly though,” said USPS spokeswoman Sarah Ninivaggi, “shifts in consumer trends are driving a lot of factors being considered in a next-generation vehicle.”

A change to the familiar trucks emblazoned with red and blue stripes and the eagle logo means a major contract for an auto maker, likely an American one. It also means big fuel savings and logistics improvements for a service that had a $5.51 billion deficit in 2014.

The proposal is for some 180,000 “next-generation delivery vehicles,” which would over time replace the 163,000 right-hand-drive, light-duty mail-delivery trucks now in use. The service says the trucks would ideally cost between $25,000 and $35,000.

The current fleet, which consists mostly of a custom aluminum Grumman body on a modified Chevrolet S-10 pickup-truck chassis, was purchased between 1987 and 1994. GM stopped making the truck more than a decade ago. Most of the trucks are more than 21 years old, and everything from windshield-wiper blades to failing engines are draining resources.

The Grumman LLVs are getting nine or 10 miles per gallon of gas due to the stop-and-go nature of most delivery routes, making their fuel efficiency closer to dump trucks than modern commercial vans. In fiscal 2014 the postal service spent about $539.7 million on fuel.

The aging fleet’s costs are so high that a report from the Office of the Inspector General of the U.S. Postal Service showed the service could sustain delivery operations nationwide only until fiscal 2017—and that was without any unexpected decreases in vehicle inventory or increases in motorized routes. The same report said repair costs were too high and recommended a long-term vehicle-replacement plan.

The old trucks were designed to deliver letters. Today, in the era of e-commerce, the service delivers more packages, and its parcel business has increased more than 20% over the past five years. The new vehicles will likely need to be larger, but they will also be more comfortable and have better engines and safety equipment, according to the request. The current trucks don’t have anti-lock brakes, air bags, electronic-stability control and a host of other safety systems that are now standard.

But like the rest of the car-buying world, letter carriers want better cupholders, too. Not only that, but they also want driver compartments without crevices that mail might slip through and sturdy sun visors than can handle having letters stuffed under them.

“The postal service is experiencing record growth in package delivery, and obtaining vehicles that are designed with the changing mail mix in mind will help improve efficiency of delivery operations,” Ms. Ninivaggi said.

She added that the postal service doesn’t have a set vision of what the truck will look like, but it could include alternative-energy options. “We’re open to any proposal we receive,” she said.

The postal service currently operates a fleet of more than 42,000 alternative fuel-capable vehicles, most of which are equipped to use E-85 fuel. In addition, USPS tests and operates electric, compressed natural gas, liquid propane gas, fuel cell and bio-diesel vehicles.
Ms. Ninivaggi said the postal service will hold a conference on Feb. 18 to field questions from potential suppliers about the technical requirements, acquisition process and program schedule. “It’s the right time not only because of maintenance challenges but because it’s a good opportunity to improve efficiency,” she said. It’s unclear where the funds for the new order will come from. The USPS loses money each year because of prepayments for retiree health benefits. In addition, it has tapped out its $15 billion credit line from the Treasury. Still, it has committed $500 million to vehicle maintenance and replacement this year, up from $100 million last year. Ford Motor Co., Nissan Motor Co. and Fiat Chrysler Automobiles NV have recently put out commercial delivery vans in the U.S. that have higher fuel economy than outgoing models. Ford spokesman Mike Levine wouldn’t speculate on “potential customer orders” but noted that Ford has “commercial-grade solutions that can be tailored to meet a wide variety of business or fleet needs.” Nissan said it isn’t involved yet. GM spokesman Bob Wheeler said the postal service is an “important customer” and “we are early in the process of exploring potential solutions that would work for their needs.” Chrysler spokesman Nick Cappa confirmed FCA US has received a request for information and said “we are reviewing it.”