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Privatize the Postal Service Right Now

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An old aphorism holds that if one were to lay all of the economists in the world end to end, they would not reach a conclusion. Yet that's not true when the subject is the dysfunctional U.S. Postal Service.

Among economists who have devoted scholarly consideration to the nation's second largest employer (after Wal-Mart), there is near-universal agreement that this federal monopoly is a dinosaur living in the 21st Century. Rick Geddes of Cornell University, in a 2004 report, found near unanimity among economists that privatization of the Postal Service ought to be pursued.

Geddes analogized the operations of the USPS to a "slow-motion train wreck." Because of transformations in the communications marketplace, the USPS's revenue base is eroding while costs continue to rise. With these dual pressures coming to bear, the USPS is considering eliminating one day per week postal delivery and increasing costs to the consumer by increasing the cost of a first-class stamp - something only the USPS can sell. These trends led the General Accounting Office to report that "the basic business framework of the Postal Service doesn't look like it will work into the future." Prof. Douglas Adie of Ohio University concludes: "Instead of waiting for the situation to worsen ... Congress should take a series of actions that will lead to . . . privatization of the postal service."

The USPS has \$23 billion in assets and, in 2007, generated over \$74 billion in annual revenue. This federal agency has monopoly control over delivery of mail and parcels to postal receptacles and enjoys one of the most formidable infrastructures in the world. In short, there is little doubt that the USPS could be sold for over \$100 billion, and the entity that bought it would pay taxes on its revenues something the USPS is exempt from doing.

The bottom line? Selling the Postal Service would be a substantial payment on the debt the federal government plans to deliver to our children and grandchildren.

The principle argument against privatization is that a public entity is necessary to ensure universal service- that is, to make sure mail service is offered to everyone. It is assumed, for

example, that rural delivery is more expensive than urban delivery and that urban service, therefore, subsidizes rural service. In fact, research shows the opposite is true. Because rural customers are required to provide "the last mile" of delivery service by picking up mail from a cluster box, or from the end of a driveway, service to these customers tends to cost less than service to urban customers, for whom deliveries are made to their doors. According to Robert Cohen of the Postal Rate Commission, "routes serving rural areas are, in total, quite profitable." The Postal Service contracts with private carriers to serve these areas, so why not allow these efficient private firms to operate and compete?

Bad Labor Contracts

Remember, too, that the Postal Service is riddled with inefficient labor practices that lead to costly inefficiency. Tight limits are placed on part-time employees - which means full-time workers are all too often paid during times of the day or year when there is little or no work for them. Most of the Postal Service's rivals rely heavily on part-time labor, particularly during peak mailing season, to hold down costs to consumers.

By making postal service susceptible to free-market competition, the costs of service would fall and the quality of service would dramatically improve. One need only reflect upon the dramatic changes that have occurred in the telecommunications market since the break-up of AT&T to understand that monopolies stifle innovation and market efficiencies.

The arguments for a public postal service are a vestige of a gone-by era - the rotary dial of written communications. And the postal union has gotten greedy in recent years with its exorbitant benefit demands. Since "change" is the watchword of the new administration, a great place for change to begin is with an 18th Century business model that "does not look like it will work into the future."

What better "stimulus" to help our nation's economy than by privatizing the Postal Service, paying down our debt by billions of dollars; upgrading our system of business mail delivery and making changes that are positive, not just politically expedient?

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