

## Should the U.S. Postal Service Be Privatized?

The U.S. Postal Service is struggling financially. Supporters argue that universal mail service is essential and that select reforms would make the USPS sustainable. Opponents say nothing short of privatizing the mail service will do. **Edited by Kira Zalan**



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**By Tad DeHaven**  
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CATO INSTITUTE

**YES**

The U.S. Postal Service cannot survive in its current form and must be privatized. The most obvious reason is that USPS's statutory monopoly on first-class mail—its financial lifeblood—has been permanently undermined by the revolution in electronic communications. E-mail, online bill pay, and texting are simply cheaper and faster than mailing a letter. For example, although I have received numerous E-mails from postal employees in response to articles I've written about USPS, I have yet to receive a single stamped letter in the mail.

Then, there are the interrelated issues of USPS's bloated costs and congressional micromanagement of its operations. USPS is supposed to operate like a business by relying on the sale of postage, mail products, and services for revenue instead of taxpayer subsidies. However, Congress mandates that USPS serve virtually every mailing address, regardless of volume, six days a week. The result is large fixed costs, including 36,000 post offices.

Postal management has been trying to eliminate post offices—four out of five are operating at a loss—but members of Congress whose districts would be affected stymie these efforts. For example, in 2009 USPS [READ MORE »](#)



**By Patrick Donahoe**  
Postmaster General,  
U.S. Postal Service

**NO**

Should the U.S. Postal Service be given the flexibility to operate like a business? It absolutely should. Is it necessary or desirable that USPS should be completely separated from the federal government? It is not.

USPS is in a financial crisis today because it has a business model that is shackled to the past and encumbered with mandates no longer warranted or sustainable in today's marketplace.

In the past four years, we have seen a steady decline in the use of first-class mail due to the rise of electronic communications. We also have seen weakness in the use of standard mail due to anemic economic conditions. In response, USPS has cut costs by \$12 billion and reduced the size of our workforce by 110,000 career employees over the last four fiscal years. As aggressive as these actions have been, they are insufficient to return to profitability due to our restrictive business model.

USPS receives no taxpayer dollars and is expected to operate as a business. And yet it is obliged to operate under restrictions that inhibit its ability to compete for customers, to grow revenue, and to adapt to a changing world. A few examples:

- Most delivery companies facing a sig- [READ MORE »](#)

## TWO TAKES

**YES**

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announced it was looking at closing 3,200 post offices. After a congressional tempest, the number under consideration was chopped to a measly 140. Two years later, only 80 have been shuttered.

Policymakers are also reluctant to challenge the postal employee unions, which represent 85 percent of the USPS workforce. Although USPS has been able to eliminate a substantial number of employees through attrition, USPS's predominantly unionized workforce continues to account for 80 percent of the agency's costs. Postal employees enjoy pay and benefits that are generous even by federal employee standards. In addition, collective bargaining agreements include "no layoff" protections and restrict USPS's ability to utilize part-time labor, which would reduce labor costs.

USPS is asking Congress for the freedom to operate more like a private sector business by allowing it to reopen collective bargaining agreements, eliminate Saturday mail delivery, and operate its own employee healthcare and retirement benefit programs. In essence, USPS wants to take the operation in the direction of privatization—although it would never use the "p" word.

While privatization might sound drastic to Americans, numerous countries have shifted away from a government-run postal monopoly toward market liberalization. For example, 69 percent of Germany's formerly government post office Deutsche Post is now privately owned. In the Netherlands, 100 percent of the formerly government post office is privately owned as TNT Post. And the British government is considering selling off its ownership of the Royal Mail to private investors and postal employees. Indeed, the European Union plans to eliminate the national monopolies of all EU member states by 2013.

Following his retirement in 2001, former Postmaster General William J. Henderson stated in an op-ed that "what the Postal Service needs now is nothing short of privatization." Henderson noted that while privatizing USPS might sound radical, "it's a concept the rest of the world has been taking seriously for years." Hopefully, the U.S. Congress will start taking privatization seriously before taxpayers are stuck having to bail out USPS. ●

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**NO**

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nificant downturn in revenue would consider adjusting delivery frequency—as FedEx and UPS recently did. USPS is obliged by Congress to deliver six days a week, when a five-day delivery schedule would be far more appropriate to today's marketplace, as well as less costly.

● Most retail companies close stores that fail to turn a profit. Roughly 20,000 out of 32,000 post offices operate at a loss. The regulatory process and political pressure associated with closing even a single post office is something to behold—despite the fact that USPS has diligently expanded its network of low-cost postal retail partners to more than 70,000 locations.

● Most private businesses make product and pricing decisions quickly, based on market demand. USPS must go through a lengthy process of hearings and filings to price its products appropriately.

● Most companies do not pre-fund health benefits for future retirees. Not only is USPS so required, it also is re-

quired to fully fund the entire obligation on a 10-year schedule when a 40-year schedule would be most appropriate. The practical result is that USPS is obligated to make \$5.5 billion annual payments into this fund through 2016.

● USPS also has been obligated to overpay into the Federal Employee Retirement System by \$6.9 billion.

The good news is that the USPS could quickly return to financial stability if given the flexibility to operate and innovate as a business does. Congress is currently considering legislation that may remove certain costly mandates and provide much of this flexibility.

The nation's economy depends upon a strong and financially stable USPS. We support a \$1 trillion mailing industry that employs more than 7 million Americans. USPS is the only delivery service that reaches every address in the nation, providing an affordable, reliable, and secure delivery platform to 150 million residences, businesses, and post office boxes. As a bedrock infrastructure of the American economy, USPS is far too integral to the economic health of the nation to become completely independent of the federal government—and far too vital to be shackled to an inflexible business model. ●

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**What Do You Think?** Should the Postal Service be privatized? Should Saturday mail delivery be eliminated? E-mail your thoughts to [letters@usnews.com](mailto:letters@usnews.com).