

THE COSTCO CONNECTION

Time to Privatize the Postal Service

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The U.S. Postal Service (USPS) is losing billions of dollars a year. The government company that delivers “snail mail” is losing out to email and other types of electronic communication. First-class mail volume fell from a peak of 104 billion pieces in 2000 to just 64 billion pieces by 2014.

Congress confers on the 600,000-employee USPS a monopoly over first-class and standard mail. The company pays no federal, state, or local taxes, pays no vehicle fees or parking tickets, is immune from many regulations imposed on other businesses, and can borrow at subsidized rates.

Despite these advantages, the USPS has lost \$52 billion since 2007, and will continue losing money without major reforms. The problem is that Congress is preventing USPS from reducing costs as its sales decline. Congress blocks efforts to end Saturday service and close unneeded post office locations.

Another problem is that USPS has a costly union-dominated workforce that impedes innovation. USPS workers earn substantially higher compensation than comparable private-sector workers.

The way to tackle these problems is to privatize the USPS and open postal markets to competition. With the rise of the Internet, the argument that mail is a natural monopoly that needs government protection is weaker than ever.

Other countries facing declining letter volumes have made reforms. Germany and the Netherlands privatized their national postal companies over a decade ago, and other European countries have followed suit. Britain floated shares of the Royal Mail on its stock exchange in 2013. Some countries, such as Sweden and New Zealand, have not privatized their national postal companies, but they have opened them up to competition.

These reforms have driven efficiency improvements in all these countries. Excess workers have been trimmed, productivity has risen, and consumers have benefitted. Note that cost-cutting—such as closing excess post offices—is good for both the economy and the environment.

Privatization and competition also spur innovation. When the USPS monopoly over “extremely urgent” mail was suspended in 1979, we saw an explosion in efficient overnight private delivery by firms such as FedEx.

A few years ago, two young entrepreneurs in Texas convinced a local USPS manager to allow them to contract with households to scan their mail at the post office and deliver it by email. Among other advantages, the system could have eventually reduced the volume of waste from bulk mail.

Alas, when USPS headquarters found out about the deal, they shut it down. That’s ridiculous. The government needs to wake up to changing technology, study postal reforms abroad, and let entrepreneurs reinvent our antiquated postal system.

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