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It's Not Saturday Delivery That's Hurting the Post Office

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Facing mounting debt and a projected loss this year of \$7 billion, U.S. Postmaster General John E. Potter said Tuesday morning that mail delivery must be cut from six days to five for the U.S. Postal Service to survive.

But critics say eliminating Saturday deliveries won't be enough to cure what ails the Postal Service, and free-market advocates are renewing their calls to privatize the struggling government entity.

"Congress and President Obama should deregulate postal markets and privatize the USPS," Chris Edwards, tax policy director at the Cato Institute, writes in the American Spectator.

"Pro-market reforms are not in vogue these days, but Obama claims he doesn't want to 'get bottled up in ideology.' For postal reform, that means injecting competition by allowing private options in the market."

Raymond Keating, chief economist for the Small Business & Entrepreneurship Council, said: "Postal service privatization is spreading across Europe, with mail service throughout the European Union scheduled to be open to competition starting in 2011.

"A government-run post office might have been justified during the early days of the country. But given the dramatic changes in the marketplace, including the Internet, UPS, and FedEx, not to mention mobile communications devices, no reason exists for government to be in the mail business."

Such advice gets little traction in the White House, so far. Asked at a February YouTube town-hall meeting whether he'd consider letting the private sector take over the troubled Postal Service, Obama said such privatization is a "bad idea most of the time. Those companies would not want to provide universal service. Everybody would love the high-end part of the business that FedEx and UPS are already in, but do they want to deliver that postcard to a remote area somewhere in rural America that is a money loser?"

Since 2007, mail volume has plummeted nearly 15 percent, but the number of addresses the Postal Service must deliver to grows an average of 1.8 million a year, placing the agency on the U.S. Government Accountability Office's list of high-risk government operations.

In the face of these numbers, the Postal Service announced a review last year to consider closing or consolidating 677 branches across the nation. The plan sparked such passionate protests that postal officials bowed to public and congressional pressure and whittled the list to 162 locations. These would be on top of the 97 post offices the agency closed during the past five years. Final action on the additional closures is not expected before 2011.

"The economy is the largest factor," Postal Service spokeswoman Yvonne Yoerger tells Newsmax. "Hardest-hit sectors of the economy, such as real estate and finance, are also the largest users of mail. As these customers were hit by the recession, mailing was one of the first areas where they reduced spending."

The Postal Service already is moving to slash its \$4 billion-a-month payroll. In 2009, it cut 65,000 positions from its more than 600,000-member workforce – primarily through retirement and attrition. This year, nearly 16,000 jobs have been shed so far, with the goal of ending the year with 90,000 fewer workers. More than 12,000 carrier routes also have been eliminated.

But the Postal Service is obligated to pay into civil service health and pension funds, which Potter described as an “oppressive burden,” costing about \$5 billion annually.

“Reducing mail delivery from six days to five can provide financial relief necessary to restore fiscal health to the U.S. Postal Service,” he said. “We’re going to have less mail in 2020 than we have today. We can’t freeze wages. We can’t freeze fuel costs.”

Potter said the Postal Service will submit a formal request to the Postal Regulatory Commission outlining his plan to end Saturday deliveries by the end of the month.

However, Obama’s 2011 budget proposal made it clear “that six-day delivery and rural delivery of mail shall continue.”

Congress can withhold \$74 million in funds earmarked for special postal projects unless the Saturday deliveries continue, according to the budget’s language.

Eliminating Saturday deliveries would save the Postal Service an estimated \$3.5 billion a year — just half of this year’s projected loss.

Eric Zorn, writing in the Chicago Tribune, suggests that the Postal Service take a more drastic approach and eliminate even more delivery days.

Noting that the Postal Service delivers less and less urgent material, he writes that “most items that arrive in our mailbox on Monday, Tuesday, Wednesday, and Thursday could all arrive Friday with no loss of convenience or relevance.”

But the best solution is a privatized Postal Service, which would have the incentive and freedom to tackle long-standing inefficiencies, the Cato Institute’s Edwards said.

“Competitor firms would give alternatives to the USPS’ postal rate increases,” he said. “It’s time to end America’s last great monopoly and free the mails.”



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