



Nicklaus: The Postal Service needs a bailout. After that, it needs reform

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The Postal Service's unofficial motto mentions rain, heat and gloom of night, but it doesn't say anything about politics.

A dustup in the nation's capital may pose the greatest obstacle to the swift completion of those appointed rounds. The Postal Service is bleeding cash during the coronavirus pandemic, and Republicans and Democrats can't agree on how to shore it up.

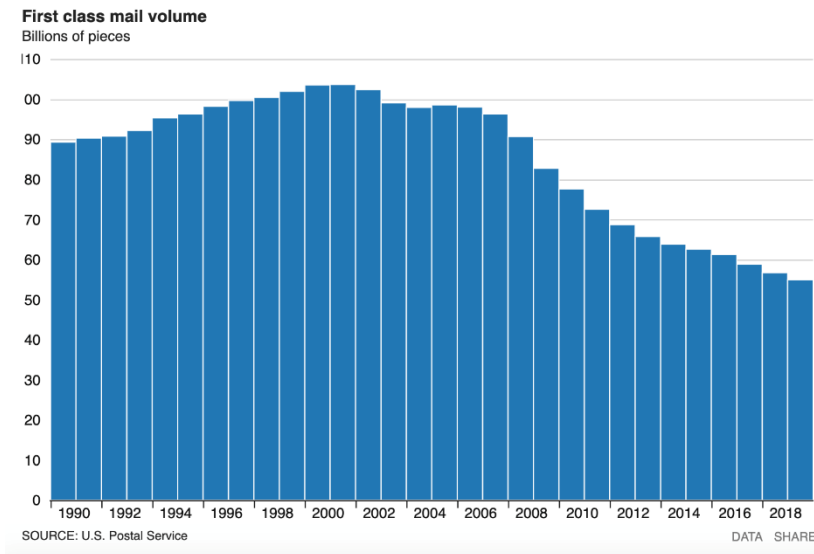
President Donald Trump has made clear that the issue is political: He opposes an aid package, **he said**, because he doesn't want widespread mail-in voting. Without help, the USPS could run out of cash as soon as next month.

Postmaster General Louis DeJoy, meanwhile, is **under fire** for cost-cutting measures that include eliminating overtime and removing underused sorting machines. DeJoy may have political motives too, but cost-cutting is a reasonable response when you're running out of money.

The short-term solution would be for Congress and the president to agree on a bailout. Perhaps it's the \$25 billion that House Democrats included in their relief bill, perhaps it's some other number, but it must be enough for the Postal Service to survive the pandemic and deliver any mail-in ballots on time.

Then we need to tackle the long-term problem. The Postal Service, in its current form, is doomed.

It has high fixed costs and its most profitable product, first class mail, is rapidly disappearing. A 2006 law restricts its ability to raise prices, and Congress, which acts like a 535-member board of directors, won't go along with closing low-volume post offices.



If nothing changes, cost-cutting efforts will keep making delivery slower, which will accelerate the decline in volume. Only radical change can stop this downward spiral.

Most developed countries figured this out long ago. Germany privatized Deutsche Post in 1995 and made the company fully independent in 2000. Britain floated the 500-year-old Royal Mail **on the stock market** in 2013.

Other nations, including Sweden and New Zealand, kept their post offices under government ownership but opened them to competition while freeing them to make most business decisions. The U.S. never took that step, and the result is the political morass that we're in now.

“It's been a slow-motion train wreck for decades and this is not the fault of the Postal Service,” says R. Richard Geddes, a Cornell University professor who studies infrastructure issues. “It's the fault of failed policy, the way the Postal Service is organized and regulated under current law.”

The biggest objections to privatization center around maintaining universal mail service and meeting the Postal Service's obligations to its workers. If Congress has the political will, these both can be resolved.

The British government assumed Royal Mail's pension obligations before privatization; the U.S. could do the same. Congress also could subsidize the cost of delivering mail to the most remote U.S. addresses.

That might cost a few billion dollars a year, says Chris Edwards, director of tax policy studies at the Cato Institute. An explicit subsidy would be better than tolerating an inefficient organization that can't respond to changing markets.

Edwards, a **longtime advocate** of postal privatization, is optimistic that Congress will eventually come around to his solution. "The American political system has certainly become more polarized, but the issue of Postal Service dysfunction is not going away," he said.

Geddes also hopes the current debate might lead to real change. Short-term aid makes sense, he said, "but the Postal Service's problems run far deeper than the virus, and the taxpayer should demand real reform in exchange for any bailout."