



## *How to Save the Post Office*

By Kathryn Buschman Vasel

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Here's one failing business that can't blame the struggling economy for its fiscal problems: The United States Postal Service.

That's if you can even call it a business. The USPS lives in an in-between world as it isn't considered a government agency, nor an independent business, yet it still receives exemptions from certain taxes and anti-trust laws.

"We are seeing a massive shift of communications in electronic form and that is causing the postal service to face a big decline in mail volume and revenue," said [Rick Geddes](#), associate professor, department of policy analysis and management at Cornell University.

He said the overall mail volume decline started in 2001 and continues to be down more than 20% since 2006. What's worse, the largest decline has been in first-class mail -- the agency's bread and butter.

"The post office makes three times more off of one piece of first-class mail than it does on standard mail."

The Senate is debating the 21st Century Postal Reform Act this week as the agency is estimated to run out of cash in October. Earlier this year, Postmaster General Patrick Donahoe warned that without Congressional action, it could be forced to suspend services.

The Senate bill provides short-term funding, delays some closings of post offices and eliminates Saturday delivery. The proposed bill would reduce the number of mail centers currently on the chopping block to 125 from 252, and force the agency to wait at least two years to cut back delivery to five days a week.

The bill would also allow the agency to transfer \$11 billion in overpayments it has made to a federal retirement fund to be used to encourage early retirement and pay down debt if

possible, but [Tad DeHaven](#), budget analysis at the Cato Institute, said these moves are nowhere near enough. “This is just more kicking the can down the road.”

“First-class mail is not coming back. It’s not a matter of the economy recovering, the post office has said we don’t need this many facilities and networks to handle the volume of mail but members of Congress don’t want to hear that.”

In February, the agency posted a quarterly loss of \$3.3 billion, blaming a drop in mail volume and a rise in future retiree health benefits for the hit, despite the quarter including the post office’s typically strongest mailing month, December.

The post office has a \$15 billion credit line through the Treasury Department, but is close to hitting that borrowing limit. “If this were to happen Congress would have to act because if an agency of the government were to go into technical default that could effect the bond rating of the country,” said Geddes.

The USPS reports it could be in the red \$21 billion by 2016 and is giving lawmakers until May 15 to pass legislation. “The Postal Service urgently requires the enactment of comprehensive legislation to return to profitability and long-term financial stability. We will continue to work with Congress and the Administration to provide the Postal Service with the speed and flexibility to meet the evolving demands of a changing marketplace,” wrote spokesperson Dave Partenheimer in a statement to FOX Business.

In order to cut costs, the post office reported it will have to close unprofitable post offices and processing centers this year, actions rural communities and some small business owners claim will impact them negatively.

“Targeting rural post offices for closure is callous, unnecessary, and irresponsible and doesn’t solve the fiscal problems facing the Postal Service,” wrote Missouri Democratic Claire McCaskill in a statement. “Our post offices are more than just brick and mortar, they’re the lifeblood for towns across our state and a source of good jobs in areas hard-hit by the economic downturn.”

McCaskill recently introduced a plan to protect rural communities across the country from losing their post offices.

Geddes said the original mission of the postal office “binding the nation together” is antiquated, and nearly 90% of all mail is now business-originated commercial material.

But there’s at least one fan of junk mail. Senate Majority Leader Harry Reid said on Wednesday that mail is an important life line for seniors, people with disabilities and small business owners.

“And talking about seniors, seniors love to get junk mail. It is sometimes their only way of communicating or feeling they are part of the real world. Elderly Americans, more

than any other group of people in America, rely on the U.S. Postal Service,” he said on the Senate floor.

Experts agree that widespread reform has to take place in order for the post office to become a viable entity and most solutions require lawmakers to butt out.

Geddes said it is too soon to talk about privatizing the post office, but said it needs to be “corporatized” to able to make more commercial decisions. “The post office should be treated like any corporation and have all the standard rules of fiduciary duties and have shareholders -- even if it’s the government.”

In 1971 the post office’s model was changed so it doesn’t rely on taxpayer subsidies, but DeHaven said Congress is still untimely the boss. “The agency doesn’t have complete flexibility with setting prices or delivery schedules. When it has tried to close offices and processing facilities it caused lawmakers to go nuts and cause problems. It’s a socialism model and is a government-run business.”

The U.S. isn’t the only country dealing with an ailing postal system; countries around the world have developed dramatic reforms, including in rural England, where the country eliminated 95% of the post offices and contracted out the service to grocery and convenience stores.