

Postal Service loses business with ‘less than satisfactory’ customer service

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The U.S. Postal Service's poor customer service and ineffective management is driving customers to UPS and FedEx, and adding to its fiscal woes, according to a watchdog report.

The government-run Postal Service stands to lose as much as \$288.5 million this year because of "less than satisfactory customer service," the USPS inspector general's office wrote in its semiannual report to Congress this week.

In total, investigators found \$1.4 billion in funds that could be put to better use and \$7.5 million in questioned costs over the past six months.

For failing to quash wasteful spending in an agency already buried in debt, the USPS wins this week's Golden Hammer, a weekly distinction awarded by The Washington Times highlighting examples of waste, fraud and abuse at the taxpayer's expense.

Federal watchdogs are concerned that if the government-owned mailer can't turn around its financial situation, taxpayers will be on the hook to bail out the flailing Postal Service's debts.

"Somewhere down the line this all became the taxpayers' problem," said Tom Schatz, president of the nonpartisan Citizens Against Government Waste. "Any organization would be making the necessary changes to sustain its existence, but the Postal Service doesn't have competition for most of what it does, and what are the consequences for failure? Eventually someone has to bail them out."

Nicole Kaeding, a budget analyst with the Cato Institute, said the drop in mail volume is killing the Postal Service.

"The creation of email and third-party mail services should have forced the USPS to innovate, cut costs and solve the its financial issues. But, this new report shows that the USPS hasn't risen to that challenge," she said.

In its response to the inspector general's report on customer service, USPS management said the investigator's data on customer service dissatisfaction was irrelevant because all of the analysis was based on an old customer service survey that had been updated by the time of the audit.

"Additionally, management found that the report's figure for percentage of customers who would choose a different provider (leading to revenue loss) is likely grossly overstated, as the report does not provide sufficient data to validate that these customers would indeed defect," David Partenheimer, a Postal Service spokesman, wrote in an email to The Washington Times.

"Improving the customer experience continues to be a key goal for the Postal Service and is a critical part of our strategy to secure a strong financial future for the Postal Service," Mr. Partenheimer said.

Analysts say the main reason the USPS struggles with management and oversight is that it doesn't have to compete with other mailers, thanks to Congress, which enforces the legal monopoly on first-class mail and standard mail.

James Campbell Jr., author of several books on the USPS and other postal services, including the 2008 "Handbook of Worldwide Postal Reform," said that the USPS doesn't have any financial incentive to do better because it doesn't suffer losses as a result of competition and can rely on the government for help.

In order to generate revenue, the USPS has been exploring new lines of business such as grocery delivery services and providing non-bank financial services for the "underserved," an idea touted by Inspector General David Williams and Sen. Elizabeth Warren, Massachusetts Democrat.

"I think people understand that if USPS has problems delivering mail and providing customer service for their basic business, no one is going to hand them money and say, 'Why don't you go invest it in the stock market?'" Mr. Schatz said.

Watchdogs acknowledge that USPS isn't entirely responsible for its financial downfall and say Congress is also to blame for its micromangement of the agency.

Congress mandates that USPS serve virtually every mailing address, regardless of volume, six days a week, prompting USPS to have large fixed costs, including the costs of more than 36,000 postal outlets, 215,00 vehicles and 600 processing facilities.

The USPS has said more than half of its processing facilities aren't needed, but it has been barred by Congress from closing them. The USPS stands to save about \$2 billion annually if it closes all of the duplicative mail centers but has been forced to keep them open indefinitely.

Analysts say the best solution is for Congress to loosen the reins on the USPS and allow it to operate as a competitive private business would, increasing rates for its market-dominant products and cutting costs to run unneeded facilities in order to increase revenue.

Richard Geddes, an associate professor in the Department of Policy Analysis and Management at Cornell University and a visiting scholar at the American Enterprise Institute, said the USPS is decades behind virtually every other developed country in reforming its postal services. He pointed out that all 27 member countries of the European Union have eliminated their postal monopolies, deregulated and commercialized their posts and seen great success.

"The laws and rules and regulations that govern the USPS need to adapt. We need to catch up, you get rid of the monopolies. Deregulate it, because that's the only path forward to give it more commercial flexibility," Mr. Geddes said.