

Daily Policy Digest

Privatization Issues

June 25, 2009

PRIVATIZE THE POST OFFICE

The U.S. Postal Service (USPS) may be the next too-big thing if it continues on its present course. It stands to post \$6 billion to \$12 billion in losses by the end of the fiscal year. So far, USPS has depended on loans from the Federal Financing Bank to help make up the difference, but it's fast approaching its \$15 billion credit limit. Something has to give, says the Washington Post.

The USPS has asked Congress to omit a rider on an annual appropriations bill that mandates six-day service, opening the possibility of five-day delivery as a cost-cutting measure. It has also requested a temporary relaxation of its pension program obligations, enabling it to put nearly \$2 billion toward breaking even. Both these short-term fixes fail to address the challenges facing USPS.

Instead, the USPS should be looking at Europe's increasingly privatized mail service. The way ahead is to privatize the USPS and repeal the company's legal monopoly over first-class mail. Reforms in other countries show that there is no good reason for the current mail monopoly, says the Cato Institute:

- Since 1998, New Zealand's postal market has been open to private competition, with the result that postage rates have fallen and labor productivity at New Zealand Post has risen.
- Germany's Deutsche Post was partly privatized in 2000, and the company has improved productivity and expanded into new businesses.
- Postal services have also been privatized or opened to competition in Belgium, Britain, Denmark, Finland, the Netherlands and Sweden.
- Japan is moving ahead with postal service privatization, and the European Union is planning to open postal services to competition in all its 27 member nations.

Furthermore, they are leaner and greener than the U.S. service because they work with, not against, the Internet, says Cato.

Source: Tad DeHaven, "Privatize the Post Office," Cato Institute, June 23, 2009; based upon: Editorial, "Too Big To Mail?" Washington Post, June 22, 2009.

For Cato Institute text:

<http://www.cato-at-liberty.org/2009/06/23/privatize-the-post-office/>

For Washington Post text:

<http://www.washingtonpost.com/wp-dyn/content/article/2009/06/21/AR2009062101785.html>

For more on Privatization Issues:

http://www.ncpa.org/sub/dpd/index.php?Article_Category=37