

Taxpayers vs. Special Interests: Postal Edition

By: Veronique de Rugy – April 15, 2013

One generally assumes that the first goal of a business, any business, is to make a profit by delivering goods and services consumers want to buy. But that's not the model the U.S. Postal Service follows, even though it's supposed to operate like a business. From a *Washington Post* editorial over the weekend:

THE U.S. POSTAL SERVICE (USPS) faces a financial death spiral. Burdened by excess infrastructure, outmoded regulations and high labor costs — not to mention facing digital-age obsolescence — USPS posted an operating loss of \$15.9 billion in fiscal 2012 and is on course to lose an estimated \$7.9 billion in fiscal 2013, according to President Obama's newly issued budget.

The USPS should be privatized, but that's not going to happen as long as Congress continues to cater to special interests (unions, in particular) rather than taxpayers' interests. Even a small reform — curtailing Saturday delivery, which is projected to save an estimated \$2 billion per year and is supported by both the Obama administration and majority of Americans — isn't going anywhere. The *Post* explains:

Yet last week the Postal Service gave up on its plan to end Saturday mail delivery, citing congressional resistance. Rational analysis gets you only so far on Capitol Hill. What really counts is interest-group pressure. And the groups that live off the mail — advertisers, postal unions and paper companies, among others — put the squeeze on strategically positioned members of the House and Senate. They tucked a measure into a recently passed spending bill that was intended to deprive USPS of the legal authority to suspend Saturday delivery; after due consideration, the agency capitulated.

They lay out the Obama budget's plan for fixing the Postal Service, which goes something like this: Go to a five-day delivery schedule, provide a \$30 billion bailout from the federal government, and increase the price of stamps above the rate of inflation. This is not only a bad solution from the perspective of customers and taxpayers, but it won't be enough, anyway. The main problem is that the USPS's labor costs are huge and, as the *Post* notes, "its 568,000 employees continue to enjoy a no-layoff clause and contribute less to their health-care benefits than do other federal employees."

The Cato Institute's Tad DeHaven goes into more details:

Even though postal operations have become more automated, labor still accounts for 80 percent of the USPS's costs. The USPS has been able to eliminate thousands of positions through attrition, but it still possesses the second-largest civilian workforce in the country, behind only Wal-Mart. With 85 percent of that workforce protected by collective bargaining agreement, the unions have become a giant anchor on an already sinking ship. . . .

In 2009, the average postal employee received about \$79,000 in total compensation. This compares to \$61,000 in wages and benefits received by the average private sector worker. Studies that have made “apples to apples” comparisons of postal workers to private sector workers have repeatedly found that postal workers receive a significant compensation premium.

The premium isn't surprising considering that postal employee benefits are even more generous than the benefits regular federal civilian workers receive.

Under these conditions, it isn't surprising that the USPS runs deficits year after year that no business would be able to afford. This luxury is provided to special interests at the expense of taxpayers by Congress, and it's time to put an end to it and privatize the whole thing.

The *Washington Post* piece is [here](#). For more of DeHaven's great work on this issue go [here](#), [here](#), and [here](#).