



Privatize the Postal Service before it's undeliverable

By: Veronique de Rugy – April 18, 2013

Making a profit by delivering goods and services that consumers want to buy at a given price is the first goal of any business. If consumers aren't interested, the business goes under. But that's not the model the U.S. Postal Service follows.

The agency has also been running annual deficits since 2006, resulting in a net loss of \$40 billion. Between 2006 and 2012, mail volume declined almost 25 percent due to the increasing use of email and e-commerce.

Also, according to the House Committee on Oversight and Government Reform, if the Postal Service were allowed to immediately cease making catch-up payments to its health care and pension plans, it would have an unfunded liability of nearly \$100 billion by 2017.

The GAO further highlights that "while USPS achieved about \$15 billion in savings and reduced its workforce by about 168,000 over this period, its debt and unfunded benefit liabilities grew to \$96 billion by the end of fiscal year 2012."

And guess who will be footing that bill? Though the Postal Service was created to be a self-sustaining entity -- taxpayers are forced to stand behind this large and growing liability.

The USPS must be privatized. Unfortunately, that's not going to happen as long as Congress continues to cater to special interests (postal employee 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.

Opposing the reform were all the groups that live off the mail -- advertisers, postal unions and paper companies, among others -- and Congress.

Others have proposed plans for fixing the Postal Service. In his new budget, Obama calls for a \$30 billion bailout from the federal government, a five-day delivery schedule and an increase in the price of stamps. 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' labor costs are huge. It is the second-largest civilian employer in the country after Wal-Mart. Employee wages and benefits comprise nearly

80 percent of total USPS expenses, which is about \$56 billion spread over 570,000 workers.

As the Cato Institute's Tad DeHaven notes, "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."

This isn't surprising given that 85 percent of the USPS workforce is protected by collective bargaining agreements and receive more generous benefits as postal employees than regular federal civilian workers.

As the Washington Post recently noted, "employees continue to enjoy a no-layoff clause and contribute less to their health-care benefits than do other federal employees." The USPS did not make required prefunding payments of \$11.1 billion for fiscal year 2011 and 2012 retiree health benefits. At the end of fiscal year 2012, USPS had \$48 billion in unfunded retiree health benefit liabilities.

Under these conditions, it isn't surprising that the USPS runs deficits year after year that no business would be able to afford. What's the solution?

Partial privatization, perhaps in the form of public-private partnerships, won't solve the problem. Converting a government monopoly into a pseudo-private entity may seem to be an improvement, but it falls short of any real sustainable results. It's time to put an end to this gift to special interests and fully privatize the United States Postal Service.