



By Susanna Kim

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# Do We Need the Postal Service?



(Paul J. Richards, AFP/Getty Images)

Is the post office a vital part of the economy or a money-losing dinosaur that delivers junk mail?

William Henderson, former postmaster general from 1998 to 2001, told ABC News today that there is a role for hard-mail delivery through the postal service's automated infrastructure and especially for those with low-incomes behind the digital divide, but the business is dying.

“The postal service was by far and away the most efficient mail service in the world, but that efficiency doesn't help you if you don't have work,” Henderson said.

Congress' Committee on Homeland Security and Governmental Affairs hosts a hearing at 2 p.m. today called “U.S. Postal Service in Crisis: Proposals to Prevent a Postal Shutdown.” Even after proposing to [close 3,700 offices](#) over the next year, the [U.S. postal service has a \\$9.2 billion deficit and is near a default.](#)

[Casey Chan of Gizmodo](#) writes the postal service must innovate to stay alive.

“Heck, the only thing I need a physical mailing address for these days is to get physical packages from Amazon, UPS and FedEx do just fine and do it with lower labor costs (53% of its expenses for UPS, 32% for FedEx compared with 80% with the USPS)—the private delivery services just run more efficiently as a business,” Chan writes.

Henderson said the postal service has tried to improve its business with innovation ever since it released a report in 1976 that predicted electronic media would decrease physical mail delivery. Those ideas included adding an email address to every physical address, email certification services, and even offering Internet access in post offices. But those suggestions were often rebuffed because the government did not want “intrusions” on the internet.

The postal service has tried business strategies with some success, including flat-rate boxes and television marketing. It also has a [vision plan for 2013](#), which includes expanding web services through usps.com and mobile applications.

Henderson said he has long argued for privatization of the postal service, but no one has the “stomach” for that solution yet.

“The reason is a combination of labor union influence and politicians not interested in privatizing,” he said.

Sally Davidow, spokeswoman for the American Postal Workers Union, said the need for the postal service is evident from the large outcry after it announced plans to close post offices. The postal service has a further reach and differentiated prices and services that the private mailing industry does not offer, she said.

“It gets to every household in the country,” she added.

In addition to household demand, Davidow said businesses rely on the postal service and it is “vital to our economy.”

From 2008 to 2010, sales revenue in the mailing industry, which includes private mailers and printing companies, grew by 10 percent to \$1.1 trillion and increased jobs by 16 percent.

Davidow said the mailing industry accounts for 7 percent of US GDP.

She said 91 percent of mailing industry jobs are in private sector and 75 percent of those jobs are in firms dependent on the postal service infrastructure.

If nostalgia is the main reason to prevent a further shutdown of post offices across the country and privatization of the postal service, then that’s not good enough, said Tad DeHaven, budget analyst with the Cato Institute.

“The question is, ‘Does the federal government still need to be in charge of it?’ The answer, in my point of view, is no,” DeHaven said.

Postal services in the Netherlands and Germany have been privatized and offer other services like banking, DeHaven said. Though he cautions diversifying into other lines of businesses may create unfair competition against the private sector.

Henderson counter-argues that the postal service is not supported by the government but by its own revenues.

“It does have a monopoly, which is not worth much today because of declining mail volume,” Henderson said.