



Opinion



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Return to sender, the slow death of the Postal Service

By: [Nicki Kurokawa](#)

Special to The Examiner

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Last week, the U.S. Postal Service [announced](#) that it ended the third quarter of FY2010 with a net loss of \$3.5 billion, a full \$1.1 billion more than the same quarter last year (that's approximately a 50% increase, for those of you keeping score at home.) Bear in mind, this comes despite the fact that in 2009, "capital contributions of the U.S. government" [totaled over \\$3 billion](#) (p. 84).

Aside from the obvious culprit (the interwebs! Curse you, tubes!), the USPS also faults mounting pension obligations. The [size and scope of the benefits](#), however, isn't to blame – but rather, the requirement that benefits be pre-funded. (Paying for obligations? Oh, the horror!)

From the USPS release:

The organization's financial situation is compounded by its obligation to pay \$5.4 billion to \$5.8 billion annually to prefund retiree health benefits. This requirement, established in the Postal Accountability and Enhancement Act of 2006 (PAEA), is an obligation unique to the Postal Service.

&hellip

"Securing the fiscal stability of the Postal Service will require continued efforts in all of these areas, as well as further review of retiree health benefit prefunding," said Potter. "It also will require that the Postal Service gain flexibility within the law to move toward five-day delivery, to adjust our network as needed, to develop new products the market demands, and to work with our unions to meet the challenges ahead."

As it turns out, being a government-run enterprise is both a blessing and a curse. Sure, there are a lot of advantages inherent in being a government-run enterprise (including laws that prohibit direct competition from the private sector), but also a lot of strings that come attached as well – including forcing the USPS to carry bulk rate (read: junk) mail at below-cost rates and coverage to remote rural areas at the same price as profitable routes. As Thomas Sowell [wrote](#) in 2001, "the net result is that the

Postal Service is not only a rare privileged monopoly, it is an even rarer money-losing monopoly because of such politically imposed inefficiencies."

Rate hikes have been mentioned as possible solutions to the problem; however, many members of Congress – including Republicans like Sen. Susan Collins (R-ME) – have [flat-out rejected increased prices](#), as they would create hardships for customers. Service cuts have also been mentioned, as has the possibility of taking more holidays; however, this has also been met with stiff [resistance](#).

The Post Office's many problems (even [acknowledged](#) by President Obama!), however depressing, are instructive in that they can be easily extrapolated to a number of other government agencies. As the Cato Institute article "[The Challenge to the U.S. Postal Monopoly, 1839-1851](#)" notes: "A private postal system was probably not a realistic possibility. Privatization would have led to an 80 percent cut in federal civilian employees and the loss of thousands of lucrative transportation contracts. Some rural areas may have faced higher postage prices, and politicians played that threat to the hilt." There are a lot of vested interests at play, and few – if any – legislators have the political courage to take them on.

[Article I, Section 8 of the U.S. Constitution](#) states that one of the specific powers of Congress is "To establish Post Offices and Post Roads." Unfortunately, if Congress can't successfully do the things it's actually empowered to do, how can we be expected to trust them when they overstep their bounds?

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