



**Ideas Changing the World**

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## Daily Policy Digest

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### Privatization Issues

July 8, 2010

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#### U.S. MAIL MONOPOLY WANTS RATE HIKE

The long-term prospects for the U.S. Postal Service (USPS) monopoly are bleak, says Tad DeHaven, a budget analyst on federal and state budget issues for the Cato Institute.

To help stem the flow of red ink, the USPS intends to seek a rate increase. Only a government monopoly would try to raise prices when the demand for its services is plummeting. The rate increase will only push its already declining customer base to use cheaper, more efficient electronic alternatives, says DeHaven.

In contrast, countries around the world are continuing to liberalize their postal markets by embracing competition and private sector involvement. Britain is a good example:

- In 1969, the British Post Office transformed from a government agency into a corporation, Royal Mail; however, the company's shares are owned by the government.
- In 2006, Royal Mail's regulator removed its monopoly and opened British mail delivery to full competition, which the postal unions opposed.

According to the Daily Mail:

- The British government is now prepared to take the next step -- privatization.
- In doing so, the government is considering transferring a portion of Royal Mail's shares to its employees.
- Giving the employees ownership stakes would inhibit the unions' ability to extract concessions that would negatively affect the company's bottom line.

Like their counterparts in the United States, the British postal unions are a hindrance to effective and efficient postal management. With e-mail and other technologies undermining traditional mail, neutering the inflexibility caused by unions is paramount for mail operations here and abroad, says DeHaven.

Source: Tad DeHaven, "U.S. Mail Monopoly Wants Rate Hike," Cato Institute, July 6, 2010.

For text:

<http://www.cato-at-liberty.org/2010/07/06/u-s-mail-monopoly-wants-rate-hike/>

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[http://www.ncpa.org/sub/dpd/index.php?Article\\_Category=37](http://www.ncpa.org/sub/dpd/index.php?Article_Category=37)