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Mail delivery - time for open competition?

Jim Brown - OneNewsNow - 3/3/2010 7:00:00 AM

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The United States Postal Service is making bleak predictions about its financial future, leaving many observers to wonder if a taxpayer bailout is in the offing since Congress sets many of the rules the agency operates under.

Postmaster General John Potter released estimates yesterday predicting that the U.S. Postal Service could suffer \$238 billion in losses in the next decade if Congress, regulators, and unions do not give the agency more flexibility in setting delivery schedules, price increases, and labor costs. Potter also predicts that letter carriers will deliver just 150 billion pieces of mail in 2020, a drop of about 26 billion pieces from 2009.

Tad DeHaven, a budget analyst at the <u>Cato Institute</u>, says if the USPS moves to five-day services and starts to delay mail delivery service, there will be a need to introduce competition.

DeHaven

"The government has a monopoly on first-class mail services," he points out. "And so I'm thinking that a lot of folks out there who enjoy their Saturday mail delivery -- or might want Sunday mail delivery -- might be willing to pay a price to a private firm to get such services. But they can't do that because the government doesn't allow any competition."

DeHaven says changes in telecommunication (email, online bill pay, and texting) have rendered the need for Postal Service first-class mail delivery less necessary. And at the same time, notes the analyst, the USPS is "weighed down" by unionized labor compensation and benefits, which make up 80 percent of the agency's cost structure.



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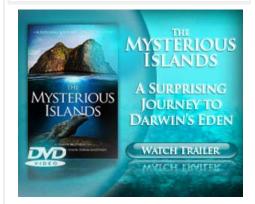


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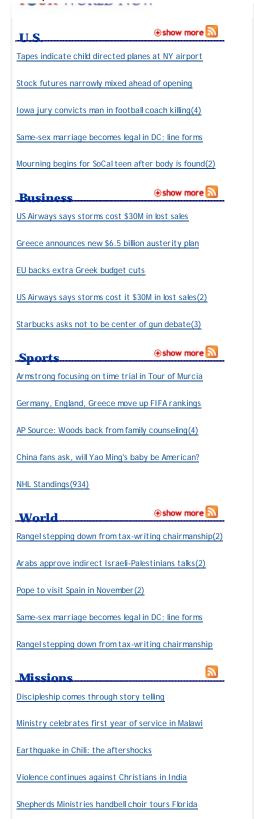
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