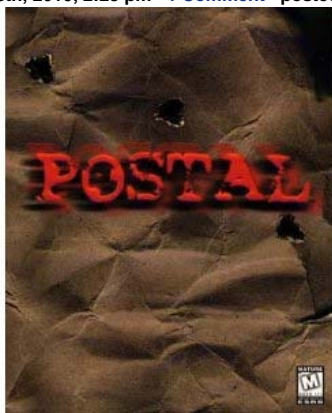


Postal rates going postal

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The U.S. Postal Service has increased rates so often in recent years that they came out with the “forever” stamp, which is good for a first-class mailing into the indefinite future. On July 6, the USPS proposed another increase, a two-cent hike to 46 cents in 2011. That’s a 4 percent increase. Rates for other types of postage would increase a similar amount. After review by the Postal Regulatory Commission (PRC), the rate increases then must be approved by the Postal Service Board of Governors.

The proposal comes on the heels of [increases in 2006, 2007, 2008 and 2009](#). As recently as 2005, a first-class stamp cost only 37 cents. So if the 46-cent rate is approved, that would mean a 24 percent increase in just six years.

Meanwhile, the Internet and text messaging on cell phones and iPads continue to demolish the USPS’s old mainstays of personal letters and paying bills. According to a report by the Newspaper Association of America, USPS mail volume has declined 17 percent in the last three years, or 36 billion pieces. And its deficit for fiscal year 2010, which ends on Sept. 20, is projected to be \$7 billion. That means Congress would have to bail out the USPS with tax money.

To deal with its problems, the USPS has proposed eliminating Saturday delivery, saving \$3 billion a year; although the PRC says the savings only would be \$2 billion. The proposed increase would bring in an estimated \$2.3 billion for the first nine months of 2011.

“Only with a government service would you increase prices and decrease customer service in the face of declining demand for your service,” Tad DeHaven told us; he’s a federal budget analyst at the Cato Institute and next month will publish a research paper on the USPS.

What’s needed, he said, is competition – ending the USPS’s monopoly on first-class mail. UPS, FedEx and other services can compete on delivering packages, but not on first-class mail. “Other countries, especially in Europe, are starting to liberalize their postal services. In the United Kingdom, they’re selling shares in Royal Mail,” that country’s postal service.

He said there are two choices. The first is subsidization by Congress, meaning taxpayers would be forced to subsidize a bloated government bureaucracy. The other choice is privatization, bringing to bear the efficiencies and innovation of the marketplace.

We would add that USPS workers should not fear privatization. As with other businesses grappling with the information revolution, change will be difficult – but essential, and transforming.