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It's time to privatize our mail service

david nicklaus
ST. LOUIS POST-DISPATCH
03/07/2010



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When you're losing customers, slashing service and raising prices is not the way to win them back.

Yet that's exactly what the U.S. Postal Service proposes to do. Postmaster General John Potter said last week that the agency will ask for permission to end Saturday mail delivery, and may try to invoke a law allowing "extraordinary" rate increases. One document indicates that the Postal Service would need increases of 3 percent this year and 10 percent next year to break even.

The problem is that mail volume is shrinking rapidly. People don't need the Post Office when they can e-mail their friends and pay bills online. Postal officials estimate that they'll handle just 150 billion pieces in 2020, down from 177 billion last year and 213 billion in 2006.

Let me make a bold prediction: If prices go up and service gets less frequent, the decline will be more severe than that.

Do you still get paper bank statements? I'll bet the bank has been politely inviting you to go online. Still mailing a check to your utility? You've probably ignored several fliers explaining how easy it is to make electronic payments.

As postal rates rise, the companies' pleas will grow more urgent. They'll dangle cash bonuses for switching to online billing, or charge extra for the privilege of getting a paper statement.

"In the old days, the demand for mail service was fairly inelastic because there wasn't any other way to do it," says Glenn MacDonald, the Olin professor of economics and strategy at Washington University. "Nowadays, the demand for mail is very elastic. If you raise prices by 10 percent, volume probably falls by more than that and revenue actually decreases."

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Chris Edwards, director of tax policy at the Cato Institute in Washington, is more blunt: "If they're raising their rates and cutting service, that sounds like a death spiral."

The Postal Service's problems are not unlike those that the Detroit Three auto companies faced. Its pensions and retiree health care obligations create a tremendous legacy cost. The Postal Service also has 600,000 employees and 36,500 retail locations, which, as a McKinsey & Co. report notes, is double the number of McDonald's restaurants and triple the number of Starbucks.

The Postal Service carries a burden that not even General Motors had to bear: Congress, which essentially serves as a 535-person board of directors. The political uproar was loud and swift last year when the agency floated a plan to close 3,600 post offices, about 10 percent of its total. Now, it says only 162 locations are under review.

It's time to admit that the Postal Service is broken. Ending Saturday service will save money, but won't fix an outmoded business model.

Far better would be to admit that first-class mail is no longer the essential service it was a generation ago. We no longer need a government monopoly. We should privatize the Postal Service, as Germany and the Netherlands have done, or subject it to private competition, as has happened in Britain, Finland and New Zealand.

Either way, we'd be introducing market forces. Would that mean fewer stand-alone post offices? Would it mean less frequent delivery for some of us? Would lucrative business-to-business mail perhaps get cheaper, while people on rural routes pay more?

Yes, yes and yes. But those are the consequences of living in the Internet age, and the longer we ignore them, the bigger the ultimate bill for taxpayers is going to be.

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StewartDoc March 7, 2010 5:52AM CST


Mr. Nicklaus,

I am going to make this simple for you to understand. For the VAST majority of services and products in this country, the invisible hand should be allowed to roam free. However, there are situations where either market forces will fail to meet public policy goals, and this is one of them. We already see that private enterprise is unwilling to do letter/package delivery in certain areas when Fedex/UPS refuses to deliver packages to certain rural areas and instead pays the post office to do so. Yes, there are inefficiencies that should be corrected such as too many post offices and outdated work rules, but privatizing the post without ensuring basic service to all is a poor solution.




Kid March 7, 2010 6:54AM CST


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mohoghead March 7, 2010 7:33AM CST

Instead, why not double the cost the junk mail postage, do as the military base closings and
have a up or down vote on post offices that are under used. the benefits of the postal
employees are no different then fedex or ups employees. Bottom line, allow the postal service
to make changes without the congressional meddling.

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