

## Liberating the Postal Service

Government bailouts of high profile private corporations have obscured the fact that one of the largest government enterprises, the U.S. Postal Service, is also in dire financial straits. Its requests for immediate relief, however, should be turned into long term, and long overdue, reforms that will strengthen a great national institution for the future.

In essence, what the Postal Service needs is to be free of congressional interventions and allowed to operate as a regulated corporation in a competitive delivery services industry. Ever since 1970, when it was created by Congress to succeed the old Post Office Department, Congress had said that it wants the Service to operate like a business. Yet ever since 1970, whenever attempts are made to respond to that mandate, some old congressional hobby horses ride forth and interfere.

In January, Postmaster General Jack Potter asked Congress to accept the fact that some day we might not need the mail delivered six days a week to every address in the nation. Potter asked for nothing more than flexibility for the future, yet several members of Congress immediately cried "Foul!" and insisted on retaining an outdated law that mandates six-day delivery. He faced the same committee again last week, but change cannot be expected.

Six-day postal delivery was not invented by the Founding Fathers as many today seem to suppose. Until the Civil War, almost all Americans had to come to the post office to collect their mail. Not until the last third of the nineteenth century was postal delivery gradually extended to the main cities. Postal delivery in rural America (where most Americans still lived in 1900) was introduced in the first third of the twentieth century. Even so, as late as 1950, one in six Americans still collected his or her mail from the local post office.

In the late 1970s, the country hit a rough economic patch. Inflation surged, and the federal budget turned red. To save money, Congress decided to renege on its promise to cover the costs of the Postal Service's unprofitable services. Worried that this might force the a cutback on Saturday delivery, Congress "fixed" the problem by ordering the Postal Service to maintain six-day service without the public funds through a temporary one-year order added to the annual funding bill. Presto, something for nothing!

The problem is that almost thirty years later, the same temporary fix is still attached to the postal appropriations bill. After the first couple of years, Congress did not even bother to update it. The provision still requires that the Postal Service maintain delivery frequency at 1983 levels even though no one in Congress, and no one in the Postal Service, can say what the service levels in 1983 were. Furthermore, about 75% of those commercial mailers and households surveyed in a George Mason University study done for the Postal Regulatory Commission said they would be happy with five day delivery. The Postmaster General had a good understanding of what the public wanted.

The annual postal appropriations "rider" has become a bad habit. It is time to get rid of the rider and give the Postal Service freedom to adjust delivery frequencies to the actual levels of mail and the real needs of addressees. Not unlimited freedom, but flexibility subject to oversight by the independent Postal Regulatory Commission and, of course, ultimately by Congress.

Yet this is only illustrates one facet of a much larger problem: how to equip the Postal Service to meet the needs of the twenty-first century.

The base problem confronting the contemporary Postal Service is that the environment in which it operates has changed drastically. It is less and less a conduit for exchanging first class letters and more and more a broadcast medium, primarily for the distribution of advertisements, periodicals, and parcels. None of these classes of mail is covered by the monopoly on first class mail, a monopoly adopted by Congress in 1872! Today, the reasons for establishing the Postal Service as a government monopoly are fast disappearing. First class mail is shrinking rapidly as telephone and Internet have replaced most hard copy correspondence. Advertisements now comprise most of the mail.

We need to think seriously about transforming the Service from a government monopoly into a regulated, competitive enterprise. There are numerous examples from abroad on how the transition might be made. The European Union has ordered the end of virtually all national postal monopolies by the end of the year 2010). And in this country, there ample precedents and lessons to be learned from regulatory reform in other industries.

A restructured postal system would give the Postal Regulatory Commission, an independent and impartial body of experts, the authority to define the truly public interests which must be protected. For example, the Commission might require delivery of individual first class letters to, say, 98 percent of all addresses in the U.S. within three business days at a maximum rate of 50 cents for the next five years. It would be up to the Postal Service to figure out how to do that. If the Postal Service cannot do the job at a profit, the Commission might contract with a private carrier to provide the necessary service. Meanwhile, the Postal Service might find it commercially sensible to reduce rates for some types of letters -- for example, local utility bills. If it can offer lower rates in some places or to some mailers (without unfair price discrimination), it should do so. And if mailers want enhanced service, they should be able to get it and be willing to pay for it. We need to get away from the idea that the same level of service should be provided to all mailers everywhere. The true public interest lies in a guarantee of a reliable nationwide delivery service at an affordable maximum price.

Public policy towards the Postal Service has grown unwise by not changing with changing times. We now have a system in which Congress feels obliged to oversee the execution of a public monopoly granted in the nineteenth century, while the Postal Service is struggling to adapt to life in the twenty-first century. This mismatch between policy and reality endangers the future of the Postal Service. It is time to allow the Postal Service to manage itself subject to clearly stated and impartially implemented rules that protect -- and where necessary pay for -- the essential minimum level of nationwide postal services required by the people.

*A. Lee Fritschler, Professor, School of Public Policy, George Mason University, was Chairman of the U.S. Postal Regulatory Commission. With colleagues James I. Campbell Jr., Robert H. Cohen, and Christine Pommerening, Professor Fritschler recently completed a study on the development and future of universal postal service for the Commission.*