

Opinion: Congress needs to get out of the way to save USPS

By Tad DeHaven

The U.S. Postal Service has released a new five-year plan for congressional consideration that it says would get the beleaguered government mail monopoly on sounder financial footing and thus avoid a taxpayer bailout. The plan repeats previous suggestions (i.e., workforce reductions, postal network consolidations, elimination of Saturday delivery, elimination of the retiree healthcare benefit funding requirement) and proposes an increase in the price of a first-class stamp from 45 to 50 cents.

Whether or not it would achieve what the USPS hopes, it probably doesn't matter given that asking Congress for greater operational flexibility is like asking a 2 year old to stop playing with their food. That's why the focus should be on completely transitioning the USPS from a government-run business to a privately-run business (or perhaps businesses).



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Over at the Courier Express and Postal Observer blog, Alan Robinson says that “just like all plans that came before, [the new USPS plan] started with the assumption that the Postal Service remains a quasi-governmental entity.” As a result,

Robinson notes that the plan is missing two key ingredients for success that foreign posts have utilized: private capital and an expanded range of products and services.

In an essay on the U.S. Postal Service, I discuss how liberalization in other countries has enabled foreign mailers to diversify into non-postal activities:

Consultants at Accenture have found that diversification not only has a measurable impact on the performance of international posts, but that it is what ultimately distinguishes high performers from low performers. America's relatively dynamic economy is particularly suited for the diversification opportunities that would arise under postal liberalization.

Germany's former postal monopoly, Deutsche Post, illustrates the type of transformation possible by liberalization. Today, the private Deutsche Post World Net has changed its compensation structure, imported managers from other industries, modernized the mail and parcels network within Germany, and developed new products such as hybrid mail and e-commerce. The company now has interests in not only the traditional mail and parcels business but also express mail logistics, banking, and more.

Given that the USPS's plan is going to be unpopular with various postal stakeholders (i.e., special interests), Alan says that they should consider the advantages of privatization:

It is clear that the business plan that the Postal Service has chosen is not the one that has worked in other countries. The plan avoids talking about either private capital or expanding the breadth of service offerings as neither is on the legislative table. Introducing thinking about how private capital could be introduced and the product offerings could be expanded forces stakeholders to think about privatization, an

idea that is nearly as unpopular as the changes that the proposed business model introduced. However, as this brief post notes, privatization offers significant financial advantages that could reduce the operating and price changes envisioned by the Postal Service's business plan. Therefore, those who see the greatest harm from this plan need to see if the advantages of privatization could benefit their interests sufficiently to overcome long-held objections to the idea.

I think Robinson is right, but I suspect that the "stakeholders" believe there's a good chance that Congress will ultimately come to their aid with some sort of taxpayer bailout. Therefore, it's possible that they believe that it is in their best interest to continue fighting for the status quo. Unfortunately, the recent bipartisan federal bailouts of the financial industry and the automakers suggest that they could be correct.

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