



Written by [Bob Adelman](#) on March 3, 2010

U.S. Postal Service: Time to Free the Mail

When U.S. Postmaster General John Potter recommended eliminating Saturday delivery service in order to save money, he was merely responding to the postal service's continuing inability to make money, or even cover its costs, delivering the mail. In a microcosm, the postal service's difficulty is reflective of the government's attempt to operate anywhere outside the constraints of the Constitution.



The Postal Clause in Article I, Section 8 says, "The Congress shall have power ... to establish post-offices." Over the years, the federal government [has understood](#) that power "as granting a de facto Congressional monopoly over the delivery of mail," thus eliminating any competition from providing better, cheaper, or faster service. In 1971, the original Post Office Department was reorganized into a "quasi-independent" corporation of the federal government. When that reorganization took place, the new entity was [funded](#) with nearly \$3 billion of "start-up" capital from taxpayers, and despite claims that it "has become self-sufficient" and "has not directly received taxpayer dollars since the early 1980s," it continues to look to the Congress for help. Potter estimates that losses in 2009 will approach \$7 billion and could reach \$238 billion over the next decade if nothing is done. Even if it is allowed to stop deliveries on Saturday, the service will still be more than \$3 billion short for the year. And the service is already staggering under debt owed to another government agency funded with taxpayer dollars, the Federal Financing Bank. With a borrowing limit of \$15 billion at that bank, Potter has to come up with something right away.

Part of the problem is the AFL-CIO — National Association of Letter Carriers (NALC) — which has successfully pressured the service into providing direct and indirect compensation to its workers to the



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point where the average postal worker now makes \$83,000 a year. This is reflected in the fact that such [compensation and benefits](#) “constitute close to 80 percent of USPS’s costs ... despite major advances in technology and the automation of postal operations.” A USPS worker blogged at the *Wall Street Journal*:

Cutting out delivery one day a week and raising some rates is a stopgap measure, and two years hence, there would be another increase and a four-day week proposal. The reason why is that USPS cannot fire anyone and cannot make employees work faster or smarter because of the death grip the postal union has on the postal service. The employees at my substation deliberately create a long line by employing the work slowdown, giving every customer at least 8 minutes of face time, chatting up grandkids and cruise trips. They are immune to reprimand and to any incentive to improve service. It is what the union wants, what Progressives want and what Democrats want. John Potter is not on the side of the postal service consumer; he is pro-union and is doing their work for them. If he were not pro-union, he would not be in his position.

Another part of the problem is that, as a monopoly, the USPS has little incentive to be frugal or to operate efficiently. A [recent audit](#) by the USPS’s own inspector general found “unjustified” and “imprudent” expenses and purchases over a recent five-month period:

No business justification was provided for \$355,451 of food provided at a September 2008 national sales educational conference attended by over 600 employees.... We noted that beer and wine were served on one occasion, a bartender charge of \$500 was included on one occasion, and one dinner for 650 guests totaled \$62,714, which is \$96 per guest.

A postmaster installation celebration and reception held in October 2008 included unallowable food purchases totaling over \$17,000. The menu included crab cakes, beef wellington, shrimp, and scallops.

A two-day meeting in September 2008 ... cost \$27,567, including a per dinner cost of \$93. In addition, employees were provided paid lodging “even though their official duty station was within nine miles of the conference facility.”

Five employees purchased gift cards from unauthorized vendors totaling \$31,791. Two districts purchased almost \$15,000 worth of movie tickets. Another district purchased thirty retirement watches at \$216 a pop.

Three meetings included expenses for flowers, linens, candles, and red carpets totaling \$4,579.

Even more outrageous is that the Inspector General has conducted 14 audits of the USPS in the last three years with similar findings.

As expected, the National Association of Letter Carriers ([NALC](#)) is resisting making any changes, claiming that such a decision is a “rush to judgment,” and that “elimination of Saturday delivery will make the USPS less valuable to business and [would] accelerate electronic substitution.”

And it is precisely this “electronic substitution” that is making the USPS more costly and less relevant. The number of items handled by the post office fell from 213 billion in 2006 to 177 billion last year, and is expected to shrink further to 150 billion by 2020. This was confirmed indirectly last summer when President Obama was asked at a town hall meeting in Portsmouth, New Hampshire about government-run healthcare. He responded in part, “If you think about it, UPS and FedEx are doing just fine, right? It’s the post office that’s always having problems.” This forced post office spokeswoman Jan Psaki to



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admit, "It's been public for some time that the Postal Service's fiscal path is unsustainable. It has been struggling due to unprecedented reductions in mail volume, and the effect of the economic crisis has made things worse."

All of which raises the question of privatization. Chris Edwards of the Cato Institute [wrote](#), "Congress and President Obama should deregulate postal markets and privatize the USPS. It's true that such pro-market reforms are not in vogue these days, but Obama claims 'that ... my interest is finding something that works.' For postal reform, that means injecting competition by allowing 'private options' in the marketplace." However, when Obama spoke at a town-hall meeting in February 2009, he said that privatization is a "bad idea most of the time."

Edwards responded, "We know that postal deregulation works because it's already in place abroad. Postal services had been opened to competition in Britain, Finland, New Zealand, and Sweden." Raymond Keating, the chief economist for the Small Business & Entrepreneurship Council, [agrees](#): "Postal service privatization is spreading across Europe, with mail service throughout the European Union scheduled to be open to competition starting in 2011."

In this country, Conrail was privatized in 1987, the Alaska Power Administration was privatized in 1996, the federal helium reserve was also privatized in 1996, the Elk Hills Petroleum Reserve was sold to private interests in 1997, and the U.S. Enrichment Corporation was privatized in 1998.

In his study on privatization for the Cato Institute, Edwards said,

The mammoth 685,000-person U.S. Postal Service is facing declining mail volume and rising costs. The way ahead is to privatize the USPS and repeal the company's legal monopoly over first-class mail. Reforms in other countries show that there is no good reason for the current mail monopoly. Since 1998, New Zealand's postal market has been open to private competition, with the result that postage rates have fallen and labor productivity at New Zealand Post has risen. Germany's Deutsche Post was partly privatized in 2000, and the company has improved productivity and expanded into new businesses. Postal services have also been privatized or opened to competition in Belgium, Britain, Denmark, Finland, the Netherlands, and Sweden. Japan is moving ahead with postal service privatization, and the European Union is planning to open postal services to competition in all its 27 member nations.

If the USPS were to be privatized, what benefits might the consumer enjoy? "We really don't know how the post office would change," according to free-market writer [Wilton Alston](#). "But we know it would change. The most basic ... analysis would seem to indicate that it would change for the better." Given the opportunity to compete for first-class mail, UPS and FedEx "would likely offer incredible rates ... to existing customers."

And what about shorter lines at the post office? Says Alston,

At the end of last year, the Post Office did some research and was surprised to find that customers at the nation's 37,000 post offices were not happy about wait times in line. In response, the Post Office came up with a brilliant idea, something that could probably only come from the federal government. They removed the clocks from all 37,000 post offices. Stephen Seewoester, a Postal Service spokesman said, apparently with a straight face, "We want people to focus on postal service and not the clock."

For those supporting the concept of limited government according to the Constitution, wouldn't



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privatizing the postal service be a good place to start? Surely the free market can do better, without the continuous and never-ending taxpayer subsidies and bailouts.



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