



# PERSPECTIVES

by Rinaldo S. Brutoco



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## Is the Post Office Going Broke? (Part 3/3)

For years, politicians have been accusing the Post Office of being a profligate appendix to the US Federal budget that will continuously require financial support to stay in business. Nothing could be further from the truth.

My suspicion is that the real objection to the Post Office has to do with: 1) the fact it is heavily unionized, 2) it provides good middle-class incomes to its hundreds of thousands of workers, and 3) it is a very stable pension provider to millions of former employees. Yes, as much as you like your mailperson, and as much as you think the Post Office was until recently doing a great job of reliably processing and delivering your mail, the stalwart folks who work there are being caught up in a massive political battle that has nothing to do with delivering mail. This battle is just one more major "front" in the war between the forces who want to aggregate more money at the "top" of the income spectrum while providing fewer opportunities for those on the lower rungs of the economic ladder to obtain upward mobility ("trickle up" economics).

The Post Office is the most racially, ethnically, and gender diverse major organization within the Federal government. It isn't an accident that the children of postal workers have had the opportunity to advance educationally, socially, and economically by "bootstrapping" up from their parent's middle-class postal jobs.

Before looking at how really successful the Post Office is, let's lance one other shibboleth: no other major operation of the Federal government is required to make a profit or even breakeven. We don't expect the State Department to since they provide a public service covered by our taxes. That is the same story for every major government agency, yet none of them was created by the Constitution to serve all the citizens of our nation. Only the Post Office has the distinction of being so critical as the "glue" for our nation that it was set forth in the Constitution as the first, and at that time, the only necessary agency of government. Why should it be required to make a profit? Shouldn't it instead be measured by how efficiently, economically, and effectively it serves the American public.

One reason the Post Office requires and deserves taxpayer support is that it is mandated by law to deliver mail to every single location in America, regardless of how inconvenient. It is required to service that vast mandatory market for the same exact price whether delivering to a high-rise in New York or a Native village north of the Arctic Circle. Imagine telling FedEx or UPS that they'd have to deliver packages for the same price everywhere in the US! They'd refuse. They'd say that would drive a radical increase in their costs. In fact, UPS decides what to charge based on the distance from the sending "zone" in the US to the recipient "zone" which can be as many as seven zones away. Were the Post Office allowed to charge based on delivery distance, or paucity of habitation density, it would instantly be able to make 30 to 40 percent more revenue with no additional expense. Would you be willing to let them make that

much more or are you pleased with how they keep their rates flat, particularly in rural America? My guess is that we would want the Post Office to continue serving all of us no matter where we live. Right?

In addition to forcing the Post Office to service all Americans, for historical reasons we also mandate that the Post Office deliver six days per week for the same price. UPS and FedEx service charge a premium for "Saturday delivery." Why do we require the Post Office to do something so uneconomic? This is a particularly good question since there are many ways through UPS, FedEx, and USPS that we can pay extra to have a package delivered on a Saturday using expedited services instead of ordinary delivery. Allowing the Post Office to cease ordinary Saturday delivery, at no extra charge, decreases the Post Office's labor costs by 16.6 percent a year! That's an enormous penalty the Post Office pays that neither FedEx nor UPS have to pay. Doesn't seem like an even playing field to me.

Congress requires Post Offices to be built and remain open all across the land regardless of how unprofitable or underused that facility is. Can you imagine what a rule like that would do to FedEx and UPS? It would put them out of business in less than one generation. As the population shifts and transportation systems evolve, private companies are continually closing their least profitable plants and opening new ones in more suitable locations. That flexibility is essential for any private business to make a profit. It is a handicap on the postal system that lobbyists for UPS and FedEx keep on the books, so they can protect their shared oligopoly. It seems to be working really well. Both FedEx and UPS are incredibly profitable and have succeeded in keeping the Post Office dangling perpetually on a financial string! You can see a picture beginning to emerge here of a political system, abused by our unrestricted surrender of power to Washington lobbyists, that keeps the Post Office permanently weak financially so private competitors can make fortunes. That isn't right. Nor is it what the Founders had in mind.

A law passed in 2006 even requires the Post Office to prepay 75 years of retiree health benefits at a cost of approximately \$110 billion. No business organization is capable of that. Oh, and instead of going to retiree benefits the money is actually being used to reduce the national debt!

One final thought: without Post Office competition for package delivery and "Second Day Air" services, you can be certain both FedEx and UPS would immediately raise their rates and stick us with the bill.

So, is the Post Office broke, or is it intentionally being bled dry by private economic forces that control what Washington does to protect entrenched private economic interests? In the process it is destroying what Ben Franklin and the Founders so brilliantly conceived and built!

