

Going Postal

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By Richard Miniter

Chicken Little now works for the post office. By the year 2003, first-class stamps will cost 50 cents, many of its 38,000 post offices will close and tens of thousands of letter carriers will be jobless, according to a new General Accounting Office study.

The study is based almost entirely on internal projections from the Postal Service. "It could happen in just three years unless we act to prevent it," warns Rep. Dan Burton, Indiana Republican, chairman of the House Government Reform committee, and Rep. John McHugh, New York Republican, chairman of the House subcommittee on the Postal Service.

Why is the sky falling? Reps. Burton and McHugh argue that this doomsday scenario will be triggered by a rise in the use of e-mail and online bill paying.

The basis for these predictions is dubious. They are not believed by postal insiders and would defy historical trends. There are three good reasons that the post office is not about to die, as the same self-styled solons warn.

First, the Postal Service is profitable today. Indeed, it has had excellent financial results in recent years. Its net income in each of the years 1995-1998 averaged more than \$1 billion, and if the forecast of \$100 million net income in 2000 is met, as is expected, the Postal Service will be in the black for the first six-year stretch since postal reorganization in the early 1970s. Things have never been better for the postmen.

Second, the doomsday scenario relies on a sudden and sharp break with long-term trends. The GAO report, which parrots the Postal Service's own doomsday projections, foresees first-class mail volume - the business that provides about two-thirds of operating revenues - growing by 1.8 percent annually until the end of 2002. Then suddenly in 2003 the trend will change direction, postal executives say.

Mail volume will decline by 2.5 percent yearly for six years. Neither Bernard Ungar, who represented the GAO in recent hearings, nor Postal Service executives themselves, could provide an explanation for the sudden reversal of fortune in 2003. No other major post office in any industrial democracy is anticipating doomsday in 2003 - or any other year.

Third, new information technologies traditionally swell - not shrink - mail volume. A seasoned and close observer of postal business - National Association of Letter Carriers union president Vincent Sombrotto - dismisses the notion that the Internet will cut demand for postal services: "Now the imminent death of the Postal Service might be a novel idea - except that I've been hearing it for 20 years as new technologies emerge and existing ones expand and even explode. And guess what happens with the new high-tech gadgetry that's been coming along these past 20 years? Mail volume goes up and up and up. Sure, more people are using computers. But still the volume goes up. More people use faxes. Mail volume still goes up. E-mail? Volume goes up. Shopping the net? Volume goes up. Let's go back in history to earlier

communications revolutions. Telegraph? Volume up. Telephone? Volume up. Radio? Television? Volume up."

Historical data support Mr. Sombrotto. Following the telegraph, mail volume climbed 531 percent (1845-1870); following the telephone, it surged 1,075 percent (1876-1901); following fax and telex machines, it grew 125 percent (1972-1997).

So why the scare stories? As is usually the case in the nation's capital, the scaremongers are not disinterested prophets. They have an agenda. In this case it's HR 22, the proposed Postal Modernization Act.

H.R. 22, backed by Messrs. Burton and McHugh, would allow the Postal Service to enter new markets and directly compete with American businesses without shedding its monopoly status. If this bill becomes law, the Postal Service could use its monopoly profits to subsidize its entry into competitive markets.

If lawmakers really believe the Postal Service must either expand into new arenas or die, then the Postal Service should be fully privatized. Postal privatization is not a libertarian fantasy. A number of other nations, including the Netherlands, New Zealand, and, partly, Germany, have successfully privatized their post offices. The United Kingdom and Canada may soon follow. Privatization and the rigor of market competition help turn around each of these once-ailing national post offices. Of course, once privatized, the Postal Service should compete on equal footing in markets now served by private carriers.

If on the other hand, lawmakers believe the goals of "universal service" and "affordable postage" are vital national interests that cannot be served by the current Postal Service, then that too is an argument for privatization. A privatized Postal Service would have a freer hand in cutting labor costs and raising money in the stock market for capital improvements than it ever would as a government-run behemoth supervised by the wise men meeting in wood-paneled committee rooms.

While the public has an interest in an efficient, financially viable postal system, Congress needs to ensure that the Postal Service competes on fair terms, without subsidies or other special advantages, in any commercial markets where it may be permitted to operate.

The Postal Service is long practiced in the art of "chameleon capitalism" - painting themselves as just another profit-earning corporation when it suits their purposes and, at other times, taking on the color of a quasi-governmental entity when they want to argue that only the government can provide universal mail delivery at a uniform price or avoid Customs and law enforcement regulations that their private sector competitors must obey.

President Nixon turned the post office into the Postal Service, a corporation wholly owned by the government, as a first step toward privatization. It's time to complete the privatization process - even if the sky doesn't fall in 2003.

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