

Don't expand mail monopoly; stamp it out

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By Richard Minitier

As Congress debates a bill to allow the U.S. Postal Service to enter new markets, a report to lawmakers offers up a dire scenario if the measure doesn't pass.

First-class stamps will soon cost 50 cents unless Congress passes the Postal Modernization Act, warns the report by the General Accounting Office, a nonpartisan agency that audits federal programs at the request of lawmakers.

In addition, many of the nation's post offices would have to close, leaving tens of thousands of letter carriers jobless. And all of this in the year 2003.

The chorus of doomsayers includes Rep. John McHugh of New York, chairman of the House subcommittee on the Postal Service, and Rep. Dan Burton of Indiana. The two Republicans warn of a sudden rise in 2003 in using e-mail and paying bills on-line.

These predictions are dubious. They aren't believed by postal insiders and defy historical trends. There are three good reasons that the post office is not about to die, despite the warnings.

First, the Postal Service is profitable today and will likely remain so. Its net income for the 1995-1998 period totaled more than \$1 billion.

Second, the doomsday scenario relies on a sharp break with long-term trends. The GAO study, which parrots the Postal Service's own projections, foresees that first-class mail volume, which provides about two-thirds of the post office's operating revenue, will grow by 1.8 percent a year until 2002 - then fall 2.5 percent a year for six years.

Yet neither Bernard Ungar, who represented the GAO in recent congressional hearings, nor Postal Service executives could provide a compelling explanation for the sudden reversal of fortune.

Why 2003? Because, Ungar says, the public will heartily embrace the Internet once Y2K fears subside. Nice try. So far, the Internet hasn't hurt the Postal Service. Internet use climbed from fewer than 5 million users in 1994 to more than 26 million in 1998. First-class mail volume did not fall over the same period; it grew.

No private package-delivery company forecasts a similar downturn in its fortunes in 2003. In fact, no other major post office in any industrial democracy anticipates doomsday in 2003 or any other year.

Third, new information technologies generally swell mail volume.

Vincent Sombrotto, president of the letter carriers' union and a seasoned observer of postal business, dismisses the notion that the Internet will cut demand for postal service.

""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."

Sombrotto went further back in history ""to earlier communications revolutions. Telegraph? Volume up. Telephone? Volume up. Radio? Television? Volume up."

He's right.

Mail volume climbed 531 percent over the 25 years following the invention of the telegraph (1845-70). It surged 1075 percent in the quarter-century after the introduction of the telephone (1876-1901), and grew 125 percent after the debut of modern fax and telex machines (1972-97).

So why the scare stories? As usual, the scaremongers aren't disinterested prophets. They have an agenda. In this case, it's passing the Postal Modernization Act.

This legislation, backed by 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 power to subsidize its entry into competitive markets, wreaking havoc with publicly traded companies like Federal Express and United Postal Service.

While the public has an interest in an efficient, financially viable postal system, Congress must ensure that it competes on fair terms, without subsidies or other special advantages, in any markets it's permitted to operate in.

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 and New Zealand, have successfully privatized their post offices.

Privatization and the rigor of market competition helped turn around these once-ailing national post offices.

If lawmakers believe that 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.

Despite critics' fears, no privatized post office has closed rural post offices or eliminated universal delivery. And a privatized Postal Service would be able to raise money in the stock market for capital improvements more easily than it can through Congress.

President Richard 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 - whether or not the sky falls in 2003.