



Sell the Unprofitable Post Office

Now that Congress has extended the due date for the Postal Service's \$5.5 billion pension plan payment to November 18th, various proposals to modernize and "rightsized" the service have appeared. The most comprehensive is the Issa-Ross Postal Reform Act, which endeavors to allow the service the freedom to do what needs to be done to keep it operating as a quasi-government agency.



If approved by Congress, the Act would:

- Allow the agency to drop Saturday deliveries and deliver the mail only to "clusterboxes" in residential areas rather than door-to-door
- Allow the agency to charge customers what it costs to deliver the mail, rather than forcing some customers to subsidize deliveries to others
- Eliminate special deals for delivering the mail for political parties
- Eliminate redundant and costly post offices
- Require postal workers to pay the same for life and health insurance benefits as other government workers do
- Allow an independent watchdog agency to take over the postal service in the event it can't pay its bills — similar to a bankruptcy judge in the real world. This would allow legal abrogation of union contracts that currently prohibit the service from laying off workers
- Allow the agency to generate new revenue such as advertisements on mail delivery vehicles and at post offices
- Establish "fair pay" which includes wages AND benefits instead of just wages
- Reduce and then eliminate altogether special discounts currently enjoyed by non-profits

[In an interview](#) with the Heritage Foundation, Rep. Darrell Issa (R-Calif., pictured above), a co-author of the Postal Reform Act, claimed that if these measures were instituted, the postal service could actually turn a profit of \$2 to \$3 billion every year, instead of losing \$8 to \$10 billion annually. By trimming its workforce, increasing its efficiency, and offering more revenue generating services, Issa said the postal service would become viable without any further need for government (i.e., taxpayer) bailouts.

Others are not so sure. With the "sticky" union contracts (Cliff Guffey, president of the American Postal Workers Union said "We're going to fight this and we're going to fight it hard," while Fredric Rolando, president of the National Association of Letter Carriers, said "We have to do everything we can to preserve it...") and the current veritable rabbit's warren of regulations, restrictions and limitations currently hemming the service in at every point, the chances for actual default are increasing daily. [As](#)



Written by [Bob Adelman](#) on October 5, 2011

[noted by](#) Postmaster General Patrick Donahoe, “Our situation is extremely serious. If Congress doesn’t act [on this bill], we will default.” As noted [here](#), Donahoe is really trying, but finds himself surrounded with “stakeholders” each of which has a different, and often conflicting, agenda.

Take the labor unions. Labor costs represent 80 percent of the postal service’s costs, compared to just 53 percent at United Parcel Service (UPS) and 32 percent at FedEx. And postal workers enjoy a current benefits package that is more generous than most federal employees who already enjoy exceptionally generous benefits when compared to the private sector.

Donahoe has 30,000 post offices and most of them don’t even cover their costs. But he can’t close them just because of fiscal reasons. He can’t raise his rates without permission. He can’t advertise. He is limited in offering special deals to his high volume customers.

Given the freedom to do so, he could offer to deliver wine and beer, sell commercial advertisements on his vehicles and in his post offices, and cut deals with his competitors UPS and FedEx to do “the last mile” deliveries for them to help offset some of his costs there, offer special hand-delivery services for correspondence and transactions that can’t be done via email. He could offer five-day-a-week delivery instead of six or charge extra for those wanting Saturday deliveries, he could establish special Internet services, he could place post offices inside WalMart stores or in other high traffic locations.

Not a single proposal, however, offers the only real solution to the postal service’s problems: selling it all to a private, profit-seeking enterprise. Imagine what that would look like! Instead of bemoaning the fact that the Internet has greatly reduced the demand for delivering first-class mail, and crying over the redundancy of post offices in areas that no long make economic sense, or wringing hands over union contracts with built-in “no layoffs” clauses, such an enterprise would seek opportunities for profit by serving those willing to pay. In such a world, the USPS could compete nicely with its now highly-profitable competitors UPS and FedEx, while delivering improved services at likely substantially lower costs. The sale price could be used to reimburse taxpayers for at least some of the previous bailouts. Best of all, Congress would be out of the picture altogether. Donahoe, if he still worked there, would be free to implement some of his thoughtful and creative ideas without having to get permission from the current half-dozen “stakeholders” who want to micromanage the service. It wouldn’t need its monopoly on first class mail (which is diminishing greatly in value every day anyway) and it could certainly be in a position (ready?) to pay some taxes!

Issa and the others who are full of ideas about how to keep the service going under the current construct of “the government has always delivered the mail” are simply wasting their time and ultimately, taxpayers’ money, in trying to keep this sinking ship afloat. The marketplace, if allowed to deliver the mail, would assuredly make great improvements in its services to its customers, and easily turn a profit as well. Where are those supporters of the market to do a job it’s apparent the government can’t do?



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