

POSTAL NEWS

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1. Why don't we privatize the US Postal System?. Jan 29, 2009.

1. Why don't we privatize the US Postal System?

January 29, 2009 – Comments (32)

Let UPS and Fedex bid for it and be done with it.

32 Comments – Post Your Own

#1) On January 29, 2009 at 1:55 PM, chk999 (99.98) wrote:

This has been on my wish list for more than 20 years. Either one could be a better job.

#2) On January 29, 2009 at 1:57 PM, BlackEagle7 (99.79) wrote:

OK, but we would still have to bail em out.

#3) On January 29, 2009 at 2:04 PM, rwilso01 (99.29) wrote:

England is cutting back their postal service to 5 days a week (No longer delivering on tuesdays) in order to reduce costs.

#4) On January 29, 2009 at 2:12 PM, BradAllenton (62.74) wrote:

My mail only comes when they feel like bringing it now. I thought they already cut back. lol Most of the time I get other peoples bills anyway. They should have UPS or FEDX take it off their hands.

#5) On January 29, 2009 at 2:13 PM, TheHuney (99.25) wrote:

If a private company can more efficiently do the task, then why haven't they already? There's nothing preventing anyone from doing it.

In reality, privatized mail service would mean higher costs, lesser efficiencies, private monopolies over certain areas (sort of similar to the mess we have with private utilities), and a fractured overall market. I'll pass.

Why don't we actually fund the current post office and stop throwing money at zombie banks and bogus stimulus plans?

#6) On January 29, 2009 at 2:26 PM, Tastylunch (99.89) wrote:

While privatizing Amtrak, USPS etc seem like ideas worthy of consideration, I think they ultimately are irrelevant when you consider the bigger problems of medicare/medicaid and social security.

Until we deal with the big two nothing else is really going to make much of a difference imo.

#7) On January 29, 2009 at 2:34 PM, nthought (91.46) wrote:

It's idiotic to privatize necessary services.

Will Americans ever learn?

#8) On January 29, 2009 at 2:50 PM, socialconscious (39.24) wrote:

Good questions I posted the news yesterday and read TheHuneys post today. The reasons no would require a doctoral dissertation. In short it will eventual fade away like the telegraph and its only shrinking yet viable business sold to Fedex which works with the Post office already. In my humble estimation it will happen in the next 50 years. The post office is 3 distinct thing to America my bullet-point mini-dissertation

1) It is like Amtrak an outdated inefficient yet economical means for a less affluent sector of the economy to communicate and pay bills I am for 5 day a week delivery to give the postperson the weekend off and to save 2 billion. Eventually everybody will text and pay bills everywhere and formal conversation will be e-mail. We are 85% there already.

2) It is a viaduct for solicitation(a kind way to say "junk mail"). This will too fade away as it is becoming less cost efficient.

3) Priority mail is a shrinking but viable market and overnight is an allegiance of Fedex and USPS is viable because of the USPS good "final mile" delivery. From Forbes Sept 2000...

The U.S. Postal Service is second only to UPS in e-commerce deliveries, which is clearly why FedEx is hoping to strike this alliance. The Postal Service, meanwhile, is looking to FedEx for help to improve its overnight air delivery capabilities to keep up in an increasingly competitive marketplace

<http://www.forbes.com/2000/09/07/mu5.html>

#9) On January 29, 2009 at 2:53 PM, ByrneShill (36.44) wrote:

NO!!! Don't. The USPS is the only reliable way to send anything outside US. I don't buy anything on ebay anymore unless the seller agrees to use USPS. I'm done with ebay if USPS is privatized.

#10) On January 29, 2009 at 2:57 PM, StockSpreadsheet (< 20) wrote:

Privatizing the Postal Service or allowing competition was discussed many years ago. (I believe it was under Bush I, though it might have been under Reagan.) Initially, many companies, (including FedEx and UPS), signed up to do it and were lobbying hard to be allowed to do so. They backed down when they read the stipulations

attached to the competition agreement and all the companies dropped their plans to compete against the USPS.

The problem was that the USPS delivers everywhere, from downtown Manhattan to Podunk, Nowhere. Delivering to Manhattan is very profitable. Delivering to Podunk is very unprofitable. The government told the companies that wanted to compete with the USPS that if they delivered to any address in a state that they had to deliver to EVERY address in the state. (No cherrypicking only the most profitable locations and leaving the money-losing locations to the government.) FedEx and UPS were more than happy to deliver mail from NYC to L.A., but they didn't want to be bothered to deliver to Ojai, Cal. or Ada, Okla. or thousands of other towns of less than 100,000 people.

So if you believe in universal Postal Service delivery, then the ability to compete was offered and the potential competition declined to get involved. If you don't mind people in rural towns not having mail delivery, (unless they drive to a town of 100,000 or more, which would mean many states like Montana would probably have no mail delivery outside of the capital, if even there), then turning over mail delivery to a private company would work. Or if you don't mind the competition taking the most profitable routes and leaving the rest of the routes, (and their inheirant losses), to the government, then turning the profitable routes over to the private sector will again make sense.

Personally, I think the original restriction should remain. If you want to compete with the USPS, then you have to accept the USPS mandate. If you delivery anywhere in a state, you have to deliver EVERYWHERE in that state. It is only fair.

Just my opinion.

Craig

#11) On January 29, 2009 at 3:00 PM, socialconscious (39.24) wrote:

Hmmm the USPS delivery network will eventually assist Fede xand UPS like the early telegraph wires helped the phone company.

<http://www.moah.org/exhibits/archives/talkingwires.html>

Strangely though Fedex and UPS may eventually just be e-commerce/cargo driven only.Pardoxically the signature, architectual draft and court filings software,etc. that mitigate it service now and in the future also drive e-commerce.

#12) On January 29, 2009 at 3:19 PM, socialconscious (39.24) wrote:

I agree the USPS does deliver everywhere and it is handy but technology eventually will kill it. In the interstitial period it will be like the past when for years tiny phone companies handled remote areas that BELL wouldn't go.The USPS will downsize little by little and contract out underserved areas. It is not like I like seeing jobs lost but that is the future as I see it. Think about the demise of the Full-Service gas station for need and time sense the disbanding of the post office bank in 1967 after 50 years and 30+ after FDIC.

#13) On January 29, 2009 at 3:25 PM, EverydayInvestor (100.00) wrote:

TheHuney - what is preventing people from competing with the USPS is that it is ILLEGAL for anyone but the USPS to drop items in the mailbox.

nthought - I have to say that I am quite happy with my gas company, one of the oldest publicly traded companies in the US - Laclede Gas. They have done a far better job than say my local sewer utility, which is a pseudo-governmental entity. There is nothing wrong with profiting from necessary services. My grocer profits from my need to eat as well.

The way the USPS is run (poorly, with too high of salaries and incredibly great benefits) means that a private operator could do better without cutting out universal service (or some almost-universal service, such as not doing last-mile delivery to the most rural. As long as we get rid of the shibboleth of universal service we can imagine a profitable, efficient, private USPS.

#14) On January 29, 2009 at 3:27 PM, chk999 (99.98) wrote:

theHuney - the reason there is no private mail delivery service is that it is illegal for anyone other than the USPS to deliver first class mail into your mailbox. Read up on Lysander Spooner to see what happened to the guy that tried to start a private post system. Remove that legal moat around the USPS and a private company will jump in and do it better.

#15) On January 29, 2009 at 3:28 PM, chk999 (99.98) wrote:

Dang it, beaten to the punch by EverydayInvestor!

#16) On January 29, 2009 at 3:52 PM, TheHuney (99.25) wrote:

Everyday and Chk999 - that's poor reasoning. The New York Post can't use the New York Times' boxes. It doesn't stop them from creating their own. Why would the private companies be entitled to use the government boxes?

What you two are suggesting is that this "private company" should be allowed to use the same resources as the public company. Yet, no private company would be subjected to such ridiculous regulations and required to do the same thing.

I find this to be a terribly weak argument. If the difference between success and failure for this hypothetical private company is the cost of some boxes, your hypothetical private company doesn't sound like much of a company. And in fact, individuals have to provide their own mailbox anyway, so it's not as if the USPS is getting some great advantage that the private sector lacks.

As has already been mentioned in earlier posts, the reason no private company wants to jump in is because delivering mail to rural areas would be unprofitable. They could only profit in urban areas. Of course, fragmenting the market into several players would drive up costs dramatically and thus create huge inefficiencies, meaning the costs to the consumer would be prohibitive.

There are some things a large centralized, public organization can provide much more efficiently than the private sector. Mail delivery is one of them. Mass transit is another (I mean localized systems; not AmTrak which is somewhat of a joke).

#17) On January 29, 2009 at 8:02 PM, tonylogan1 (99.71) wrote:

Dang. Just saw this after posting my own rant...

Anyone complaining here should at least do a little research on the history of the post office monopoly.

Wells Fargo actually was put out of business by the government underbidding the cost of stamps (transferring the cost to the taxpayer) until they went out of business, then they raised the price of stamps.

When they got competition again, the government just straight away made it illegal to compete.

If you allow the deliver to one address, deliver to every address, and do not allow the USPS to be subsidized to beat the private firms, I guarantee someone will be operating mail service in every state within a year.

#18) On January 29, 2009 at 8:10 PM, angusthermopylae (72.53) wrote:

I see a lot of "USPS is inefficient" here (either boldly stated, or as an underlying assumption). My question: Can anyone back that up?

Government services are government services because of two things: They are necessary, and they are expensive/not profitable. (As an aside, they may also be subject to abuse; see below)

For example, anyone can apply the same argument to law enforcement. It costs buttloads of money, and there is no return on investment back into the coffers. As for the aside, private law enforcement is open to all sorts of abuses that would make me want to declare my land a foreign embassy--Yankees stay out!

What about military forces? In and of themselves, they are purely a financial loss--all the profit goes to the suppliers and supporters. Definitely would fall into the "inefficient" category by just about any accounting method.

The same can be applied to road construction and maintenance, building inspection, the FAA, and libraries. Yet, each is an essential service (or arguably such); each is needed by the community and society as a whole.

So, pony up: On what basis do you say the USPS is "inefficient" and would be better off in private hands?

#19) On January 29, 2009 at 9:17 PM, nthought (91.46) wrote:

There's plenty of inefficiency in the private market as well. Does the postmaster general make billions in CEO bonuses?

#20) On January 29, 2009 at 11:43 PM, Tastylunch (99.89) wrote:

I think Craig had the best answer

#21) On January 30, 2009 at 12:01 AM, angusthermopylae (72.53) wrote:

Hmmm...I've missed the original argument (what brought all this up), but apparently it's a hot topic here on CAPS--another post on the subject of privatizing the USPS. (And now, the Circle of Life is complete--both blogs have links to each other :-)

I still don't understand the "inefficiency" or "Statis propaganda" argument; no one has put up numbers to back their positions, and it seems to be tacitly ignored that there is competition to the USPS. You can send the same letter Fedex or UPS; what's the problem? Where's the monopoly?

(BTW, I've recced both articles--agree or not, it's a good debate..)

#22) On January 30, 2009 at 2:26 AM, tonylogan1 (99.71) wrote:

Why can people not understand that it is illegal to send non-urgent mail through anyone other than the post office. The government has made it illegal.

Companies have been fined when the USPS finds that they use FedEx or UPS for "non-urgent" mail.

The government does not want to give up monopoly because it does not want to lose power and control.

Example: If you are a magazine publisher you cannot legally send magazines via anything other than the USPS. Therefore, when the post office decides how much to charge to send magazines, they either encourage or discourage the spreading of new (smaller company) ideas.

The founding fathers knew this was the case and they therefore set up the postal system to give discounted rates for small magazine companies (to encourage the spread of ideas instead of just big news companies dominating).

When it last came time to revisit the rates for magazine distribution, what you think happened? The biggest media publishers spent millions of dollars lobbying to raise the rates on small magazines and not on large ones, and what do you know, the US government, bought and paid for, stomped yet again on one more freedom in the interest of corporatism.

Jeeze don't get me started.

#23) On January 30, 2009 at 2:47 AM, ClearEyez (99.61) wrote:

@ StockSpreadsheet

Why should UPS or FedEx HAVE TO deliver to somebody in a town of 5 people miles away from anyone else? They are a business and should be able to deliver to whoever they want. If the public doesn't like it they would be out of business. Why

does the taxpayer have to effectively subsidize the mail delivery to those people under the USPS system? It should either A) charge more to mail to them B) require those people to pay increased property tax which goes to the mail service or C) require them to retrieve their mail at a central location which does not require burdensome costs for delivery.

#24) On January 30, 2009 at 6:41 AM, TDRH (99.99) wrote:

I wrote this because I think future administrations are going to have to look for ways to reduce the size of the government. In my mind Everyday's point about the salaries and benefits for basically unskilled workers hits the nail on the head. UPS and FedEx could cover the remote areas with localized subcontractors much cheaper than the current system.

Angus - appreciate your post but comparing the postal service to the military or police is a stretch in my estimation. I would prefer that the postal service be privatized and the US create/support a wireless internet infrastructure that covers the country.

Tonylogan- Appreciate the history lesson. I did not know about the Wells Fargo history.

#25) On January 30, 2009 at 2:30 PM, guiron (< 20) wrote:

Why does the taxpayer have to effectively subsidize the mail delivery to those people under the USPS system?

Because mail delivery has been determined to be an essential element of our infrastructure, and the costs of having rural people cut off from mail are much higher societally than paying for their delivery.

Besides that, the USPS has been entirely for-profit for many years, now. There is no government subsidizing of USPS mail delivery. You only pay for it when you buy stamps or postage.

#26) On January 30, 2009 at 2:31 PM, guiron (< 20) wrote:

I wrote this because I think future administrations are going to have to look for ways to reduce the size of the government. In my mind Everyday's point about the salaries and benefits for basically unskilled workers hits the nail on the head.

USPS is entirely for-profit. Tax money does not pay for the USPS anymore.

#27) On January 30, 2009 at 2:37 PM, TDRH (99.99) wrote:

Quiron Do taxpayers pay for the retirement benefits of the postal workers?

#28) On January 30, 2009 at 3:00 PM, guiron (< 20) wrote:

It's guiron. This is a picture of guiron.

Since postal workers still government employees, they are eligible for government benefits. Here's some information about that.

I can see, however, that to some people government spending in itself is considered to be a problem, even if there is a benefit to society. But the chances that we're going to

move to a completely laissez-faire system are close to nil, because very few people really think that all government programs are wasteful or provide no benefit. This idea that we'll abandon the USPS to save money is incredibly short-sighted, especially considering we don't even subsidize the service anymore.

#29) On January 30, 2009 at 3:09 PM, guiron (< 20) wrote:

BTW, what happens when, let's say, UPS "bids" for letter delivery and gets it, and then through poor management and/or poor economy they go chapter 7. Then what? We buy back the company, like the state of CA was forced to with their electrical grid, after being completely fleeced by the privatization deal?

#30) On January 30, 2009 at 3:16 PM, StockSpreadsheet (< 20) wrote:

ClearEyez,

I agree with what guiron said. I think that the post office is an essential service. That service should be available to all citizens in all incorporated towns, cities, etc.. (If you want to build your house in the middle of the Nevada desert, 500 miles from the nearest person, then I am not so worried about you getting mail service. However, if you are an incorporated town, then you should be entitled to mail service.) If you don't think that mail delivery is a basic function and are willing to abandon entire towns, cities, states, whatever to not having mail service, then you probably don't feel the same. That is your right to feel that way. I just disagree with that position.

Craig

#31) On January 30, 2009 at 7:06 PM, angusthermopylae (72.53) wrote:

TDRH et. al.

Just as a follow-up, I would invite both sides to try reading Terry Pratchett's *Going Postal*. It's fiction; it's fantasy; and it's funny...but Pratchett writes his books with an eye for satire on the real world, and whichever side of the debate you fall on, it's funny how the whole premise of this particular book is on point: Eliminating the government postal system in favor of private enterprise.

(Admittedly, the book's premise is based on how "evil" private enterprise can be, but it still addresses both sides, I feel.)

While I don't quite "get" the monopoly argument, I understand how government services are a financial drain on society (boy, do I!) I'm all for free-enterprise, and have a fairly strong libertarian bent--government is a necessary evil, not a brave hero on a white horse coming to save the day.

But I would stress the "necessary"...if nothing else, modern American government is supposed to create a level playing-field for everyone. IMHO, the last 8 years has resulted in the field being ramped, booby-trapped, and twisted in favor of all sorts of directions other than the common good. The big question is will things get better or more twisted in the next 4-8 years?

Anyhoos...just wanted to point out a relevant piece of fiction...and one of my favorites...

#32) On January 30, 2009 at 8:51 PM, ReaganD (99.63) wrote:

people are defending the postal service? while you're at it, three cheers for the DMV.

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