

## Cato Institute Policy Analysis No. 47: The Last Dinosaur: The U.S. Postal Service

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### Executive Summary

Mail service is becoming slower, more expensive, and less reliable. The price of a first-class stamp will go up to 22¢ this month--a 633 percent increase since 1958. First-class mail delivery is 10 percent slower than it was 15 years ago, and Postmaster General William Bolger concedes that postal delivery may have been more reliable in the 1920s.[1]

The United States Postal Service (U.S.P.S.) is probably the worst managed and one of the least honest corporations in America. One innovation after another has failed as the Postal Service struggles to enter the twentieth century. The service spends tens of millions of dollars each year to deceive the public about the poor quality of mail service. From mail delivery times to productivity increases to nine-digit zip codes, the Postal Service turns out reams of misleading information.

Americans are suffering a gradual extinction of mail service. In the past 15 years, the U.S.P.S. has intentionally slowed mail delivery, cut back on mail collection pickups, shortened the target zone for overnight delivery, reduced business deliveries, imposed strict requirements on the size of letters it will accept, and begun the abolition of home delivery. Congress is considering ending Saturday mail delivery.

The federal government has a monopoly on the delivery of first-class mail; as a result, the Postal Service is the country's third-largest employer. Like all monopolies, the postal monopoly is abused, as the government forces people to accept increasingly worse service at ever higher prices.

### History

The early colonists inherited the tradition of government postal monopoly from Britain. In sixteenth-century England, the Tudor monarch outlawed private post in order to hinder communication between potentially rebellious subjects. Later, the monopoly was justified as a revenue raiser for the Crown. But even 270 years ago, private carriers were breaking the law and providing the public with better service than the government:

In 1709, Charles Povey used bell ringers to collect letters, which he delivered anywhere in London for a halfpenny. The Post Office prosecuted Povey, who was convicted and fined, and then it adopted his system for the government service.[2]

Since 1709, not much has changed in how governments run their postal monopolies.

In 1789 the Constitution granted the federal government the right to set up a post office, but it did not prohibit competition from private services. However, the first postal act, in 1792, did effectively outlaw private competition.

The first postage rates were extremely high, as Congress tried to force easterners to subsidize the more expensive service to outlying settlements on the western frontier. As the Postal Service's official history notes, "Until 1851, the cost of sending a single sheet letter 40 miles was either 6¢ or 8¢. When the letter traveled over 400 miles, it cost 25¢. These prices doubled, tripled, or quadrupled with each additional sheet." [3] In 1843, "it cost 18 1/2¢ to send a letter from New York City to Troy, New York, but only 12 1/2¢ to send a barrel of flour the same distance." [4] The government charged 25¢ to deliver a letter from Philadelphia to New York.

Henry Wells (later of Wells-Fargo fame) entered the market, charged 6¢ a letter, and delivered faster. [5] In the Boston area alone, over a hundred private express companies carried the mail. Private companies delivered letters directly to addressees' homes, while the government still required people to pick up their mail at the nearest post office.

As private business flourished, government postal revenues declined. The postmaster general admitted in 1843 that many people thought the government's monopoly was "odious," but insisted that it had to be preserved for the good of the country. [6] In 1845, Congress tightened the laws prohibiting competition and increased the penalties for violators. In 1851, Congress lowered postal rates and began providing a direct subsidy for postal operations.

Even though the Post Office received high subsidies from the Treasury to provide mail service to outlying regions, service was still slow, doubtful, and limited. As Carl Scheele noted in his *Short History of the Mail Service*:

While the government provided mail service on "principal routes," the express companies offered supplemental and rival service. . . . As the adventurous miners moved over the hills and mountains, the express operators followed quickly to maintain service between the camps and isolated towns and the nearest post office. [7]

And although the Post Office claimed to deliver mail between Missouri and California in 24 days, actual delivery often took months. As the *Los Angeles Star* editorialized in 1853:

Can someone tell us what has become of the U.S. mail for this section of the world? Some four weeks has passed since it arrived here. The mail rider comes and goes regularly enough, but the mail bags do not. One time he says the mail is landed in San Diego; another time there was so much of it the donkey could not bring it, and he sent it to San Pedro on the steamer--which carried it to San Francisco. Thus, it goes wandering up and down the ocean. [8]

In March 1860, William H. Russell and two partners formed the Central Overland California and Pike's Peak Express Company. Russell had repeatedly tried to gain government backing to set up a 2000-mile express mail route from St. Joseph, Missouri, to Sacramento, California, but Congress was not interested. Russell and partners set up relay stations, hired "young, skinny, wiry fellows not over 18 . . . willing to risk death daily" (as the newspaper help-wanted ad declared), and quickly narrowed the communication gap between east and west. The first privately carried Pony Express route delivered the mail between St. Joseph and Sacramento in 10 1/2 days--less than half the time of the Post Office's route. It took the Post Office over a year to admit that the Pony Express had a better idea and to begin contracting with the private company to expedite government mail. [9]

Though legal penalties increased, private carriers continued passing up their Post Office counterparts for the rest of the century. As journalist Patrick Cox reports:

The August 1875 cover of Harper's new monthly magazine showed an illegal carrier galloping down a country road, tipping his hat to a smiling farmer as federal agents race to arrest him for carrying mail. Arrested carriers of that period were immediately bailed out by citizens, and most juries refused to find them guilty. [10]

In 1896, the Post Office initiated rural free delivery. Until that time, farmers had had to travel to town to pick up their mail. Rural congressmen controlled Congress, and providing constituents free mail service was seen as an excellent vote-buyer.

In 1912, rural congressmen pushed through a bill that got the government into the parcel business. Although the United Parcel Service (UPS) and many other express companies were already providing parcel service, rural residents were anxious to find a way to avoid paying the full cost of parcel delivery to sparsely populated regions. Postal subsidies had previously been justified as helping to diffuse knowledge and spread civilization, but this argument

provided little justification for government underwriting of shipping costs for Montgomery Ward undergarments.

In recent years, the Postal Service has faced repeated challenges from more competent private companies and has responded with one legal counterattack after another.

In 1971, a federal district court prohibited a private firm from carrying Christmas cards in Oklahoma on the basis that the plaintiffs, a postal employees union, suffered "significant loss of work time, overtime, employment benefits. . . and morale." The court concluded that private delivery of Christmas cards would be a "widespread public nuisance." The result was that the public suffered slower service and higher costs to support postal workers' "morale." [11]

In 1976 in New York, a pack of Cub Scouts tried to raise money by delivering Christmas cards: Postal Service lawyers ordered them to stop, and threatened the ten-year-olds with a \$76,500 fine. A New York Times editorial regretted that the Postal Service's carriers were not as fast as its lawyers. [12]

In 1978, the P.H. Brennan Hand Delivery Service offered same-day delivery of mail in Rochester, New York, for 10¢ a piece; the Postal Service could not guarantee overnight delivery even for 15¢. The Brennan Service operated during snowstorms (when the Postal Service did not even try to deliver), never lost a letter, and never had a complaint. When U.S.P.S. attorneys closed in on the Brennans, Rochester lawyers provided them with a free legal defense. But the Postal Service persuaded a judge to issue a "cease and desist" order on account of the "threat to postal revenues." [13]

For 200 years, the Postal Service has been playing a game of catch-up with its illegal competition. Throughout its history, U.S.P.S. has upgraded service or cut rates only after some private company came along and did a better job. Were it not for its competition, the Postal Service might still be charging by the page and requiring citizens to come to the post office to send and pick up mail.

### **The Postal Service versus the Twentieth Century**

The U.S.P.S. still delivers mail roughly the same way it was delivered in ancient Greece, when Herodotus coined the phrase, "Neither snow, nor rain, nor heat, nor gloom of night stays these couriers from the swift completion of their appointed rounds." The service downplays this motto these days since a few inches of snow or a frowning schnauzer can stop delivery for days. As postal expert John Haldi has concluded:

Despite the many advances in . . . mechanized handling technology, the Post Office's chief accomplishment over the last 200 years has been limited to the introduction of durable, lightweight, colored nylon bags for use with airmail. [14]

In 1970, after a nearly complete breakdown of mail service in the 1960s, the Post Office was changed from a cabinet department to a pseudo-independent corporation and renamed the Postal Service. The main effect of this change was that congressmen could no longer appoint local postmasters and rural carriers directly, and thus had to devise new ways to pay off some of their political supporters. The Nixon administration promised that the change would depoliticize mail delivery and place the new corporation on a businesslike footing. But the U.S.P.S. retained the postal monopoly and thus had no strong incentive to provide good service. Both wages and postage rates quickly soared out of control.

Instead of concentrating on what most concerned the public--reliable letter delivery--the new Postal Service decided to go after its competition in the only area where private competition was legal, parcel post. Why? Because the service was taking a beating.

Between 1951 and 1974, the volume of parcels handled by the Postal Service fell over 50 percent, while the volume handled by UPS soared. U.S.P.S. vowed to close the gap by spending a billion dollars for 21 huge centralized bulk-mail centers. A billion dollars in taxpayers' money was spent so that a government corporation could try to take away business from a private company.

The Postal Service was desperate. A 1974 internal survey found that the service damaged half the parcels marked "fragile" that it carried. [15] A newspaper reported "the case of a woman who reacted strongly when the postal clerk slammed a stamp on her fragile cookies, whereupon the clerk had the woman arrested and the cookies sent to the bomb

squad." Postmaster General Klassen conceded that the Postal Service damaged five times as many packages as UPS.[16] Clerks in the New York Post Office were told not to throw fragile packages more than five feet.[17]

But the new bulk-mail centers were a disaster. The General Accounting Office (GAO) reported that a parcel "mailed the 103 miles from Pensacola to Panama City, Florida, will travel 1536 miles through New Orleans, Memphis, and Jacksonville." A billion dollars was spent to slow down parcel delivery.[18]

Moreover, the new system was still inhospitable to packages. The motto of employees at the Washington bulk-mail center in 1978 was "You mail 'em, we maul 'em." [19] The mechanical conveyor belts used in the centers included a drop of up to four feet for packages--while UPS managed to sort and deliver packages with no drops. In Memphis, parcels got mixed in with trash and were sent to the dump. The New York bulk-mail center had 26 employees working full time rewrapping packages torn up or damaged by the machines. A GAO spot check in Chicago found over 3 million mangled, misplaced, or otherwise incapacitated packages and letters.[20]

Eleven years after the first bulk-mail center opened, the Postal Service is further behind UPS than ever. UPS now carries 70 percent of all parcels, and the Postal Service is losing more ground each year. The Washington Post reported that postmaster generals in the early 1970s were aware from the beginning that the new system would not do what it promised, but they were "intent on showing visible improvement in the form of bricks and mortar." [21] The postmaster generals were more interested in building huge monuments to U.S.P.S. than in providing the public with better service.

The next panacea that seized the postal management's imagination was electronic mail, or "ECOM" (electronic computer-originated mail). Private experts predict that, by the year 2000, 80 percent of all first-mail will be moved electronically. GAO estimates that increasing use of electronic mail could reduce postal employment by two-thirds by the year 2000.[22] U.S.P.S. began looking into electronic mail in 1977, and by 1979 it was considering banning all private electronic mail.[23] (This is typical of the service's prejudice against progress-- in the 1890s, the Post Office declared it illegal for anyone to send letters through pneumatic tubes under or along city streets.) The Federal Communications Commission (FCC) and Postal Rate Commission refused to allow U.S.P.S. to extend its monopoly, however, so the service was stuck with competing in the electronic mail marketplace.

Federal law prohibits the Postal Service from cross- subsidizing mail classes, that is, from overcharging first- class (or other) mail users to subsidize other classes. But ECOM was heavily subsidized: in its first year of operation, the service charged 26¢ a letter and lost \$5.25 a letter; in 1983, U.S.P.S. still lost \$1.25 per letter.

The House Government Operations Committee concluded, "The Postal Service deliberately manipulates the release of information about ECOM in order to make ECOM appear to be more successful than it really is." [24] ECOM predicted its initial volume would be about 400,000 letters a week, but only 15,000-- barely 3 percent--showed up. The service predicted 50 million letters for ECOM in 1983, but again, only 15 million--30 percent--were sent. When ECOM began, the Postal Service claimed that it would be self-sufficient almost from the start; later, it predicted that ECOM's costs would not be covered until 1987. As communications expert Michael Cavanagh put it, "There's just no way this can be characterized as anything else than an abysmal failure." Rep. Glenn English, chairman of the Government Operations Committee, concluded that ECOM "certainly looks like a turkey and it gobbles like a turkey." [25]

According to the Washington Post, 70 percent of ECOM's mail at its peak came from an auto advertiser in Detroit. As Cavanagh notes, "They've kept the rates down to attract business, but instead they've attracted junk."

Most commentators also criticize ECOM's inherent shoddiness. Though the message is beamed electronically to one of 25 post office receiving stations, it can still take two days or more to deliver the message afterwards--straight from the space age to the stone age. There is no guarantee that ECOM will deliver faster than regular mail. Letters are printed on cheap paper with no heading, and the print is of such poor quality that it is difficult to read compared with that of a normal letter.[26] The Postal Service recently announced that it will soon shut down ECOM and it is now looking for a private buyer to take the albatross off its hands.

The ECOM debacle was exceeded only by INTELPOST, the Postal Service's international electronic mail venture. In 1980, U.S.P.S. launched a high-speed facsimile copy service to provide instant copies between continents. On April

11, 1984, the House Committee on Government Operations reported:

INTELPOST has been a complete failure. The Postal Service has spent over six million dollars in the development and operation of INTELPOST. Gross revenue during more than three years of operation through the end of fiscal 1983 has been less than sixty thousand dollars. The total number of pages transmitted from the U.S. during this period was less than twelve thousand.[27]

These results were especially disappointing since the Postal service had made a "conservative" estimate of \$42 million in revenue and 20 million pages transmitted in 1984 alone. The service totally misjudged the market and provided an unreliable service to boot. As the House report concluded:

The most serious aspect of the failure of INTELPOST is the inability of the Postal Service to demonstrate competence in planning, implementing, and marketing electronic services in a competitive and unregulated environment.[28]

The nine-digit zip is another U.S.P.S. effort to move mail delivery into the modern era. But "ZIP + 4" (the latest euphemism) would be not only confusing, but unnecessary. There are only about 85 million mailing addresses in the United States. With an eight-digit zip, each address could still have its own zip-code number with plenty of blanks left over.

The new zips will likely turn out badly for both the service and its customers. The House Government Operations Committee made clear that

in an effort to still opposition to and gain support for its plan to lengthen zip codes to nine digits . . . the Postal Service has repeatedly overstated and misrepresented the benefits that might accrue to it."[29]

Postal officials hid a six-to-eight-year negative cash flow and failed to admit that incentives to use longer zips would probably be insufficient.

The Postal Service predicted that 11 billion pieces of mail would have nine-digit zips by 1984; preliminary estimates show that less than 1 billion business main users, the prime group the service expects to use the new zips, actually did. Despite harsh criticism from the Congress to delay implementing the system, the Postal Service has already invested \$900 million into ZIP + 4 and is moving full steam ahead.

The U.S.P.S. promises that the new system will be strictly voluntary. But that is the same thing the Post Office said when the five-digit zip code was introduced in 1963. Five years later, the Post Office announced that zip codes were mandatory on all business mail.

Postal Service innovation efforts have an almost unbroken record of-failure. The postal bureaucracy has repeatedly obscured costs, exaggerated benefits, and proven incapable of learning from its mistakes. The more "high-tech" our society becomes, the more archaic the Postal Service will be.

### **Declining Service. . .**

In 1976, the New York Times editorialized that the level of mail service in New York City would be barely acceptable for Albania.[30] The Times's editorial drew a sharp rebuke from the Albanian ambassador.[31]

Mail service has been deteriorating for decades. Up until 1950, residences received mail delivery twice a day.[32] But as budget crises occurred, the routine solution was to further cut back service to the public.

In 1960, the Post Office's Annual Report announced "the ultimate objective of next-day delivery of first-class mail anywhere in the United States." [33] But official standards for overnight delivery were lowered in the late 1960s, trimming the target zone from statewide to convenient local areas covered by local mail-sorting centers. Current standards applaud three-day delivery for mail traveling 600 miles--as if it were a fine thing for a letter to require 72 hours to travel what a person can drive in 10 hours or fly in 1 hour. By today's official standards six-day delivery for coast-to-coast mail is acceptable. In 1981, Sen. Steve Symms pitted the Pony Express against the U.S. mail: A woman

on horseback delivered a letter from Washington, D.C., to Harper's Ferry, West Virginia, in less than 9 hours--while the Postal Service took 3 days.[34]

According to U.S.P.S. records, it takes 10 percent longer now to deliver a first-class letter than it did 16 years ago, an average of 1.65 days now versus 1.50 days in 1969.[35] The slow-down stems partially from a 1969 high-level postal meeting decision "to no longer strive for overnight mail delivery and to keep this a secret from Congress and the public." [36] The service reduced the number of night shifts for preparing incoming air mail for next-day delivery. U.S.P.S. pays a 10 percent bonus for night pay--so, to save a few dollars, a full day was added delivery time.

There is no good reason why a letter mailed in Washington, D.C., in the morning cannot be delivered the next day in Los Angeles; there is no reason why mail has to move so much slower than people. The Washington Post reported that U.S.P.S. considered cutting its costs by educating the public not to expect "prompt" service.[37] According to one high-level congressional official, Postmaster General Bolger said at a 1980 Postal Board of Governors meeting that postal service was probably about as good as it would ever be and suggested that U.S.P.S. consider lowering its delivery standards to make itself look better. (The service claims that no transcripts exist of the Governors' meeting.)

U.S.P.S. lies to the public about the speed of mail service, boasting that 95 percent of local mail is delivered next day. Private studies make a laughingstock of this claim. In New York City in 1983, the Society of Association Executives conducted a test mailing of 363 letters within Manhattan. Only 152 letters arrived the next day, and 57 took 3 days or longer.[38] The Miami News conducted a mail test in November 1983 and found that 35 percent of letters mailed arrived late, taking 7 days to get from New York and Washington, D.C., to Miami.[39] Rep. Bill Green conducted a mail check in his New York district and found that only 44 percent of intra-Manhattan mail was delivered overnight; and 10 of his 300 test letters simply vanished into the postal abyss. A 1981 Doubleday & Co. test found that 8 percent of third-class mail is never delivered and never returned to mailers.[40] A 1983 Doubleday test found that 10 percent of Spiegel catalogs were lost in transit and that almost 20 percent of a discount-coupon mail test were missing in action.[41]

The Postal Service spends over \$4 million a year on tests designed to provide biased results. During the 1970s, delivery test letters were clearly marked, and postal clerks were ordered to look for them and give them expedited treatment.[42] A 1975 GAO report found that test scores were jiggled by postal supervisors who knew that their promotions depended on the "good" scores.[43] The Washington Post reported that postal clerks would be called into supervisors' offices if a high percentage of recorded mail was late and told to change the reports. A clerk admitted to the Post, "The standard procedure is to disregard late mail." [44] In Detroit, GAO found that late mail was deliberately removed from delivery units before the test began in order to improve overnight delivery scores.[45]

U.S.P.S. uses a different delivery scoring system now: a check of the postmarks of random letters in designated post offices. But the system is still rigged. Post offices are notified of the test day a month in advance to give them plenty of time to get ready. The current system measures only the time between a letter's postmark and its arrival at the post office from which the carrier will deliver the letter. A GAO study found that 10 percent of letters had the wrong postmark date, and another 3 percent had no postmark date at all.[46] If a letter is picked up late and postmarked the following day, it is counted as delivered on time. And, if the carrier fails to deliver the letter on the day it arrives at his post office, it is still counted as being on time. Test scores are still open to manipulation at several points as well. The Postal Service refused to allow me to observe an Origin-Destination Information System test being carried out or to talk with clerks involved in the test. A press officer claimed that it was important to keep test methodology secret to prevent it from being abused. But since the service publishes publicly available booklets on ODIS methodology, that rationale seems hardly convincing.

Not only is the mail moving slower, it is also not going as far. Mail delivery to residence doorsteps was abolished in 1978 for new homes and is gradually being phased out for older homes as well. Now the Postal Service is imposing a new mail delivery system, delivering mail to central locations--"cluster boxes"--and requiring people to come a half mile or more to pick it up.

In Dickinson, North Dakota, the local post office recently sent out notices reading, "Your Postal Service is upgrading the mail delivery in your area. . . . Your area is privileged to be one of the first in the upper midwest to receive this

service. . . . Each customer involved will benefit." In Eugene, Oregon, the local postmaster announced, "It's a new concept, whereby neighborhoods can have beautiful, attractive boxes, free of charge. . . . It's one of the new innovative ways that the Post Office has of serving the American people with better Postal Service." [47] The city of Greece, New York, adopted a resolution requesting U.S.P.S. to limit its use of cluster boxes. Postal Service lawyers replied that the supremacy clause of the Constitution gave them authority to disregard a city ordinance. [48]

The Postal Service claims that it is instituting the cluster box reform voluntarily, only at the request of residents. But Wilbur S. Wood, president of the National Rural Letter Carriers Association, says:

There exists a serious gap between USPS policy rhetoric and delivery services reality. Cluster box mail delivery is being aggressively and willfully implemented, retroactively, in rural areas throughout the nation. . . . Rural carriers have been systematically subjected to verbal harassment from Postal Service managers and unjust disciplinary proceedings for notifying rural residents of their rights as postal patrons. [49]

Wood declared that the cutbacks were leading to a "system that will deliver your mail only halfway to your house." [50]

Vincent Sombretto, president of the National Association of Letter Carriers, notes that a disproportionate number of cluster box conversions are occurring in housing projects. The poor are being singled out for cuts in service even though they get no break in the cost of postage. [51] Citizens have rallied to protest the new boxes in neighborhoods and trailer parks around the country. In Maryville, Tennessee, residents in one neighborhood who refused to surrender home delivery and sign up for cluster boxes were told that their mail would be temporarily held at the post office, where they could go and collect it.

J. W. Hammock, service manager of the Corpus Christi, Texas, Post Office, declared, "People don't require mail on their doorstep. In the future, we will be providing only this kind of delivery service [cluster boxes]." [52] Postmaster J. N. Campbell of Virginia Beach, Virginia, agrees: "The old days of mail being taken to your home are coming to an end. Efficiency is first in our minds." [53] The Postal Service figures to save \$26 a year (or 9¢ a day) per house by ending home delivery. [54]

The cluster boxes themselves are pathetic specimens. The locks break easily, are easily vandalized, freeze shut in cold weather--and individual patron keys often fit six or seven different boxes in a cluster. The Postal Service promised that clustering would decrease vandalism. But with boxes now far away and out of sight, it is easy for thieves to pry off the backplate and rob 12 boxes at once. Cluster boxes are less convenient for mail than regular boxes. An average-size book will not fit into the compartment; thus, instead of receiving packages at home, a recipient has to tromp down to the post office and wait in line.

And so, barely a hundred years after the Post Office was forced by private competition to institute free city delivery, U.S.P.S is rolling back the clock in the name of "efficiency" and abolishing home delivery.

### **. . . And Soaring Rates**

First class rates will rise to 22¢ this month--a 633 percent jump since 1958. First-class-mail users have borne the brunt of postal rate hikes--because U.S.P.S. has a monopoly and can charge as much as it pleases. From 1971 to 1981, while first-class rates soared 233 percent, parcel post rates increased only 95 percent.

The Postal Service insists that first-class users are not being overcharged to subsidize Frederick's of Hollywood and other advertisers. But according to one U.S.P.S. study, first-class mail provides 68 percent more revenue than its attributable cost, while second-class mail provides 2 percent less than its cost. [55] In the early 1970s, six internal Postal Service audits concluded that first-class users were being over-charged to subsidize other classes. [56] The chief administrative judge of the Postal Rate Commission concluded, "The Postal Service has become a tax-collecting agency collecting money from first-class mailers to distribute to other favored classes." [57]

In its latest rate-hike proposal, U.S.P.S. proposed increasing first-class rates 15 percent while cutting the rate for the first pound of parcel post almost 3 percent. The per-pound rate for second-class mail delivered outside the county

would be cut up to 25 percent. The rate for third-class single letters would rise only 5.6 percent--less than the rate of inflation. The rate for the first two pounds of Express Mail-- where the Postal Service faces fierce competition--would remain unchanged. The service's rate case--its explanation for these anomalies--was 10,000 pages long. This is understandable because it is difficult to explain why rising wage costs make it more expensive to deliver first-class mail, cheaper to deliver parcel post, and have no effect on Express Mail costs.

First-class mail revenue also goes to subsidize nonprofit mailers. The nonprofit mailing category was originally created for charities, hospitals, and the ilk; now, plush magazines and political diatribes receive taxpayer subsidies. Smithsonian magazine gets cheap mailing privileges for lavish Mercedes Benz and diamond ads. Mother Jones and Reason set up foundations to secure government subsidies for political messages.

Postage rates are skyrocketing because postal wages have long been out of control. Postal workers are an aristocracy of labor--the "highest paid semi-skilled workers in the world," according to Postal Rate Commissioner John Crutcher.[58] The average postal worker earns over \$28,000 in pay and perks. In Manchester, New Hampshire, U.S.P.S. pays starting clerks \$20,991 per year plus benefits, while local private companies start clerks at \$8,000 or \$9,000.[59] The service pays its janitors an average hourly wage of \$10.89 plus benefits, while the privately contracted janitors who sweep post office floors receive only \$4.44.[60] In Washington, D.C., private couriers race around the city for \$6 an hour while postal carriers put in their time and get paid \$13 an hour. Postal Rate Commissioner Crutcher reported seeing a private mail-sorting operation in Connecticut, paying workers \$5 or \$6 an hour, that had higher productivity than any post office he'd ever seen.

Postal workers have fringe-benefit packages that make the private sector green with envy. The average postal worker gets 23 paid vacation days a year, 9 paid holidays, 13 sick days, a fully paid life insurance policy, 75 percent-paid health and medical insurance coverage, a generous taxpayer-financed pension, and a guaranteed lifetime job. Yet, even with all these benefits, the GAO found that up to a third of all postal workers have "attendance problems"--that is, they don't show up for work often enough. In three cities GAO surveyed, employees missed an average of 50 work days a year.[61]

High postal salaries are complemented by little incentive to produce. Federal Express won awards for its 1982 ads showing an anxious customer fretting while two old postal clerks chatted about pension plans instead of serving him. Once a worker is hired and on the job a year, it is difficult to fire him.

The Postal Service claims its high wages are justified because its workers are so productive. Postmaster General Bolger recently announced, "Our productivity is up 40% from 1970. . . . Over the past five years, we've increased productivity by at least 3 percent annually." But since 1970, the service has lost over half of its higher-paying parcel mail and has acquired vast amounts of presorted mail--mail sorted by the mailer, who thereby receives a discount of up to 3¢ per item. U.S.P.S. concocts its productivity gains by dividing the number of letters and parcels by the number of workers--disregarding the fact that current mail pays less and is easier to handle than previously carried mail. Twenty-five percent of all mail is now presorted. The customer does the Postal Service's work and so enables the postmaster general to claim amazing productivity gains. Postal Rate Commissioner Crutcher complained in 1983, "It's a Disneyland situation where increasing loss of high-paying parcel business enhances productivity figures. The Postal Service maintains no productivity measures worth of the name." According to Crutcher, accurate productivity measures were developed in 1960, but the service discarded them in its quest to "avoid accountability." [62]

Not only does U.S.P.S. want to preserve its monopoly, but it is also striving to drive private operators out of business. In 1974, the service expanded its definition of a letter--the legal basis of the monopoly--to include intracorporate communications, blueprints, computer tapes, credit cards, fishing licenses. . . . The Postal Rate Commission's public counsel said the Postal Service's goal is to "gather under its exclusive domain nearly all mailable material." [63] The official definition of a letter now reads: "a message directed to a specific person or address and recorded in or on a tangible object." [64] Under this definition, the service could assess postage on a belly dancer sent to a Capitol Hill party with a congressman's name iced on her belly.

U.S.P.S. also recently tightened its prohibition against the private use of postal boxes. Even though a person's post box is his property and is attached to his house, the Postal Service prohibits access to it by private carriers or others and

seizes any letters, notices, or paraphernalia it finds in them. The service routinely seizes privately delivered magazines and returns them to the publisher months later--after charging the private carrier for postage.

The Postal Service also harasses its legal competition with creative interpretations of the Private Express Statutes, the laws defining the monopoly. Throughout the 1970s, U.S.P.S. attempted to charge the United Parcel Service because advertising material was included in parcels UPS delivered. After U.S.P.S. began its own Express Service, it considered outlawing all other special delivery services and tried to intimidate its competitors. In New York, U.S.P.S. tore open 40 Federal Express invoices prior to their delivery to the customer. Postal inspectors visited Federal Express customers and warned them that they were committing a federal crime by using the private service. Then, a week or two later, postal marketing agents tried to sign up frightened mailers for U.S.P.S.'s own so-called Express Service.[65] Since the U.S.P.S. Express Service does not deliver to many locations in the United States, postal agents often tried to hijack customers they could not serve.

Besides, the U.S.P.S. Express Service is widely perceived as unreliable. I recently interviewed a carrier who was delivering delinquent Express Mail to my residence, and he admitted that over 70 percent of his Express packets were already late. Government agencies are Federal Express's biggest customers. A Federal Express spokesman summed it up: "We sell peace of mind." [66]

### Why Not the Best?

Postal officials are creative in explaining why private citizens should be fined \$500 and sent to prison for six months for providing better mail service than the government. Chairman Robert Hardesty of the Postal Board of Governors warned in 1982 that curtailing the postal monopoly would be "costly to our taxpayers, chaotic to our systems of commerce and communication, and corrosive to the fabric of our democracy." [67] Hardesty claimed that outlawing private letter delivery was the cost of preserving individual liberty.

But many experts fail to see the need for government bureaucrats to have sole domain over the transportation of small envelopes. James C. Miller III, chairman of the Federal Trade Commission, supports the abolition of the monopoly and the legalization of private mail service.[68] Assistant Secretary of

Commerce Bernard J. Wunder, Jr., agrees: "I'm aware of no factual basis for retention of the Private Express Statute." [69]

The Postal Service says that if competition is allowed, cream skimming will occur as private carriers take over the most profitable routes. But this is a confession that many people are currently being overcharged. U.S.P.S. claims that rural delivery will be too expensive if competition is allowed. But UPS delivers 25 percent of its packages to rural destinations and makes a profit doing so. A Minnesota firm makes a profit delivering advertising to rural homes. Besides, rural delivery costs account for only about \$1 billion of the Postal Service's \$25 billion budget.[70]

Postal Governor Hardesty warns that the monopoly is necessary to preserve "universal letter delivery at uniform rates." [71] But if it costs more to phone across country than across town, why shouldn't it cost more to send a letter across country? There is no moral imperative for charging equal rates for unequal service. Rural residents could pay a surcharge for home delivery, the same way city residents pay a surcharge for firewood and fresh vegetables.

The Postal Service claims to need the entire current mail volume to maintain service. But a 1977 Justice Department study found "little, if any evidence . . . that [Postal Service] operations demonstrate pervasive declining average costs per units of production to scale." [72] It is not inherently cheaper to have one organization carry 110 billion pieces of mail than to have many organizations carry portions of that 110 billion. If U.S.P.S. were right in its claim that carrying more mail increases postal efficiency, then service would be best in big cities and worst in small towns--but the reverse tends to be true. U.S.P.S. studies show that worker productivity in big city post offices is up to 50 percent less than productivity in small post offices.[73]

Postal officials claim that private carriers cannot ensure the inviolability of the mail. But neither can U.S.P.S. During the 1970s, the CIA routinely opened Americans' letters to catch up on Aunt Martha's doings. The Postal Service recently gave the Pentagon permission to open servicemen's mail to search for drugs. It was only a couple decades ago

that the Post Office refused to deliver Henry Miller's novels, claiming they were indecent. In 1982, the Postal Service banned from the mails a booklet called Stale Food vs. Fresh Food, by the National Health Federation, claiming that its conclusions conflicted with the weight of scientific opinion.[74] But allowing U.S.P.S. to be a judge of scientific opinion is like appointing the Marx Brothers judges of national culture. In 1983, the Postal Service tried to prohibit a condom manufacturer from advertising by mail, but was overruled by the Supreme Court.

U.S.P.S. invasion of privacy and disregard for the mail entrusted to it extends also to postal employees. In Asheville, North Carolina, a carrier was suspended for dumping 25 pieces of mail in an outhouse to avoid delivering them. In Longmont, Colorado, a postal worker was recently convicted for \$319,000 mail theft.[75] In Baltimore, two postal employees were recently sentenced for eating cookies from a package they were supposed to be delivering.[76] No doubt private carriers would occasionally abuse the mail, but probably no more so than what already occurs with postal workers. And if a private carrier were judged untrustworthy, the company would lose business to other companies that were trustworthy.

No amount of tinkering will solve the postal problem. For 15 years, postal officials have warned us that allowing competition would mean worse service at higher prices. And for 15 years, service has deteriorated while rates have soared. Since we're already getting the adverse side effects, we have nothing to lose by trying competition. The ideal solution is to open the floodgates to private competition. There is no excuse for nationalizing the transport of small envelopes. In 200 years, government has yet to reveal a genius for the task. As long as the mail is carried by a tenured bureaucracy with no incentive to move quickly, service will continue to be slow, expensive, and doubtful.

But if politicians can't stand the thought of free competition, the least they can do is tolerate a more efficient, cheaper provision of services. Just because the government allegedly is responsible for the mail doesn't mean that government employees must personally impede delivery. If Congress will not repeal the monopoly, the U.S. Postal Service should contract with private companies to sort and deliver America's mail .

The Postal Service already contracts with 4,800 private carriers to deliver mail in rural areas. According to John C. Maraney of the National Star Route Mail Carriers Association, the use of private carriers saves up to two-thirds the usual costs for rural areas.[77] James Knight of the service's Transportation, Procurement, and Policy Division concedes that private carriers do as good a job as U.S.P.S. carriers--and for one-third less cost.[78] Labor costs account for 84 percent of the Postal Service's \$25 billion budget; contracting out could save \$12 billion a year and allow the resurrection of the 15¢ stamp.

It would a small step from private contracting to open competition. Once politicians and the public see the success and savings from private contracting, the mystique of the government mail monopoly would quickly dissipate. And the monopoly

survives on mystique alone, since there are no good economic or social reasons for such pervasive restraint of trade. It should not be a federal crime to provide better service than the government.

#### FOOTNOTES

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