

## Cato Institute Policy Analysis No. 146: Slower Is Better: The New Postal Service

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### Executive Summary

The U.S. Postal Service is combining the largest increase in stamp prices with the greatest intentional slowdown in mail delivery in U.S. history. Billions of letters a year are being delayed as part of a novel scheme to "improve mail service." Postmaster General Anthony Frank has emerged as America's grand champion of Doublespeak with his endless misrepresentations of the Postal Service's performance.

In 1764 colonial postmaster general Benjamin Franklin announced a goal of two-day mail delivery between New York City and Philadelphia.(1) In 1991 the Postal Service considers it a "success" to deliver mail from New York City to next-door Westchester County in two days.(2) The average first-class letter now takes 22 percent longer to reach its destination than it did in 1969.(3) If the current trend continues, the Postal Service may soon be charging people a storage fee for each letter they mail.

Frank declared in 1989 that the Postal Service is "the most efficient and most loved American institution."(4) In September 1990 he declared that the Postal Service is "better than 99.5 percent perfect"--meaning, according to Frank, that fewer than 1 of every 200 letters "is delayed, missorted or touched by some mistake."(5) In reality, the Postal Service is trying to solve its problems by shredding its customers. The worse the Postal Service's failures, the more grandiose its rhetoric.

The Postal Service is becoming increasingly secretive. Last August it ceased divulging data on the number of Express Mail letters that arrive late. Last November it refused to divulge key information from a \$23 million test that revealed how many letters postal workers lose or throw away each year. In recent years the Postal Service appears to have knowingly violated Federal Trade Commission regulations on false advertising, and it may have also violated the U.S. Mail Fraud Act.

Mail service in America is slow and unreliable because the government has a monopoly. Private companies can only deliver letters pursuant to an exemption to the private express statutes. Ironically, such exemptions are granted by the Postal Service itself. Under the current exemption, private companies must charge more than \$3 per letter and more than double the price the Postal Service would charge for the same letter. As long as the Postal Service can legally quash its competitors, it need not exert itself for its customers.

### The Great Mail Slowdown--or "Just Say Slow!"

A 1987 Postal Service poster proclaimed, "The New Postal Service. We're changing. We move mountains of mail for you. Amazingly accurate. Amazingly fast. . . . We're delivering the mail faster than ever."(6)

But last year the Postal Service decided to improve mail service by delaying letter delivery. The Postal Service has

taken a great leap backwards, sharply reducing the role of airplanes in mail delivery. Targets for overnight and two-day mail delivery have been sharply reduced.

As Frank explained to the House Government Operations Committee last September, "I began to hear complaints from mailers and customers about inconsistent first-class mail delivery. . . . We learned how important consistent, reliable delivery is to our customers."(7) The Postal Service seized on a supposed need for more consistent delivery as a pretext for a general slowdown of the mail. As Rep. Francis X. McCloskey (D-Ind.) complained, "Postmasters from locations across the country have informed this subcommittee that first-class mail is being delayed for no apparent reason. Mail that could be processed at 3:00 in the morning. . . is not being processed so that the morning shift has mail to process."(8)

With its previous standards, the Postal Service strove for overnight delivery of first-class mail within a 100- to 150-mile radius of sectional mail-handling facilities. Now, in many areas, the target zone for overnight delivery has been reduced to less than 50 miles. Nashua, New Hampshire, is only 45 miles from Boston; the new standards call for two-day delivery, thereby allotting roughly an hour for each mile a letter must travel between the two cities.(9) The Postal Service planned to put mail between Washington and Baltimore on a two-day standard, but the protests of Maryland senators and congressmen persuaded the Postal Service to retain an overnight delivery standard.(10)

Surprisingly, Frank insists that the new slower standards will result in "improved mail service for our customers."(11) Frank has even cited the mail slowdown campaign as proof that the Postal Service is "living up to that 'We Deliver' promise."(12) Last September Frank told the Economic Club of Detroit: "We have not, contrary to some opinion, slowed down mail service. We've made very minor adjustments to our service areas."(13)

But the Postal Service's own tests show that mail delivery has slowed since implementation of the new standards began in late July 1990. The Postal Service conducts internal examinations of mail delivery using its Origin-Destination Information System. Though the ODIS is heavily biased to present a rosy picture of postal performance, ODIS tests do provide a series of statistics on the average number of days required to deliver a first-class letter. In 1969 it required 1.5 days on average to deliver a first-class letter.(14) By 1982 the average first-class letter required 1.65 days for delivery, and by 1987, 1.72 days. In the quarter of 1990 before the new standards were implemented, the average had increased to 1.80 days. In the quarter after the new standards began to be implemented, the average rose to 1.83 days--a 1.7 percent increase that makes current average delivery 22 percent slower than 1969 delivery.(15) According to Postal Service official John Potter, the reform could increase the average delivery time for all first-class mail by as much as 10 percent.(16)

Frank has downplayed public concerns about the delivery cutback, calling the slowdown a "nonevent."(17) When asked about the costs of the slowdown to the American public, Frank declared, "I don't think it costs the American public anything."(18)

The American Bankers Association estimates "that banks' lockbox customers could lose in excess of \$90 million each year as a result of the slower standards."(19) The U.S. Chamber of Commerce warns, "Small businesses will be especially hard hit by this slowdown because of their reliance on customers' prompt payments to keep their businesses afloat."(20) John Mapley, general manager of the New Hampshire branch of the world's largest mail-order photofinishing business, told a congressional committee that, because of the new standard, his first-class mail had slowed more than 20 percent.(21)

Before implementing the slowdown, the Postal Service conducted a public survey. A House Government Operations Committee report subtitled Just Say Slow notes: "The [Postal Service's] research was based largely on customer surveys in which a single question asked respondents to choose between speed of delivery and consistency of delivery. The question implied that they could not have both."(22) Robert Cohen, technical director of the Postal Rate Commission, observed, "There is no evidence that the interviewees had any idea what was meant by the concept of consistency as . . . employed in the questionnaire."(23) Stephen A. Gold, the consumer advocate of the Postal Rate Commission, declared, "The Service leaped to the conclusion that a one-day delay in volume, no matter how great, of local First-Class Mail was acceptable if it produced any improvement, no matter how small, in consistency."(24) Frank declared at a congressional hearing that "we believe the savings will be negligible."(25)

The primary benefit is that the slowdown will make it appear that the Postal Service is better serving the public. Frank claims that the new standards will "improve our ability to deliver local mail on time." (26) But that is almost entirely a result of the Postal Service's changing the definition of "on time." As Frank says, "You have a better chance to get 100% perfection in a small radius than a large radius." (27) Sen. David Pryor (D-Ark.) observes, "This is like trying to fool the public by cutting the top off the flag-pole when the flag is stuck halfway up." (28) The Postal Rate Commission concluded that the slowdown will provide "minimal, if any, countervailing benefits to the postal customer." (29)

The goal of prompt mail delivery is sinking into a swamp of postal relativity. In 1960 the U.S. Post Office's Annual Report proudly announced "the ultimate objective of next-day delivery of first-class mail anywhere in the United States." (30) In 1990 Frank declared: "I don't think we have anything to be ashamed of. Over half the mail in the U.S. has an overnight standard." (31) Thus, Frank is now bragging that the Postal Service has a goal of next-day delivery for over half of first-class mail. But even that is no longer true. According to the Postal Service's Consumer Affairs Department, as a result of the new slower standards, there was an overnight delivery commitment for only 49 percent of first-class mail in the third quarter of 1990. (32)

At the August 1990 meeting of the Board of Governors, Frank defended the Postal Service's overnight delivery standards by noting that the Mexican mail service does not have an official overnight delivery goal for any of its mail. (33) In 30 years the Postal Service has progressed from striving to provide prompt delivery of all first-class mail to using comparisons with the Mexican mail service to justify itself.

The behavior of the Postal Service can be understood only in light of its monopoly. No private delivery service would lecture its customers that there was no real difference between faster and slower delivery. What would happen if MCI announced that, in order to make life easier for MCI operators, many calls placed via MCI in the future would take twice as long to complete? AT&T and Sprint would have a field day savaging MCI for its contempt of its customers.

### **Mail Fraud: The Speed of Mail Delivery**

For decades postal leaders have declared that 95 percent, or almost 95 percent, of all local first-class mail is successfully delivered overnight. Former postmaster general Preston Tisch, responding to calls for privatization of mail service, declared in 1987, "Stamped, overnight first-class mail was delivered at a record-equalling 95.5 percent ontime pace" in the previous year. (34) Postmaster General Frank bragged to the National League of Postmasters on August 17, 1989, that the Postal Service was succeeding in meeting the 95 percent delivery standard for local first-class mail. (35) The Postal Service's 1989 Annual Report, released in early 1990, declared that "overnight stamped first-class mail service performance was 94%." (36) Postal leaders stress that the service's official standard calls for 95 percent next-day delivery of local first-class mail.

The Postal Service's perennial claim of 95 percent, or nearly 95 percent, next-day delivery of local first-class mail--the first line of defense for the nation's postal monopoly--was derived from the Origin-Destination Information System. But the ODIS does not measure the actual time required for letter delivery; it measures the time between when a letter leaves the originating postal facility and when it arrives at the final postal facility. ODIS does not measure the service the Postal Service provides to the public but the transport of mail bags between post offices. ODIS is designed to make mail service appear far speedier than it actually is.

ODIS tests have long been recognized by postal critics as bogus; Commissioner John Crutcher notes, "Notice is given before data are collected--enough notice to move the over-ripe mail out of the way." (37) The Postal Inspection Service found that pervasive cheating occurred in tests of delivery speed of first-class mail. (38) Postal clerks in Cleveland told the Postal Inspection Service that management used "subtle forms of intimidation" to get good results on the ODIS tests. (39) Some postal employees have been bumped from their jobs because they refused to cheat on the mail delivery tests. (40) Even Frank has conceded, "Our service standards were internal and exclusively for our own convenience and not for the customers." (41) On November 6, 1990, Frank admitted, "We've never had a customer-oriented measurement" of mail delivery speed. (42)

Last year, for the first time, the Postal Service contracted with a private firm--Price Waterhouse--to measure the speed of delivery of first-class mail. In November the Postal Service announced the results. Even with the new slower

standards for overnight mail delivery, almost four times more first-class letters were delivered late than Postal Service officials had previously claimed.(43) Yet Postmaster General Frank praised the results: "They show we are doing a pretty good job in the 86 cities where the tests are being conducted."(44) In some ways Frank's statement is more shocking than the actual test results. What CEO of a private corporation, upon discovering that his company had a service failure rate 300 percent higher than the company's standard, would cite that as evidence that the company was doing "a pretty good job"?

The Price Waterhouse results for New York City were especially revealing. In 1989 the Postal Service lowered the target for mail delivery for New York City, thereby affecting 26 percent of all first-class New York mail.(45) (New York City accounts for over 10 percent of all letters mailed in the United States.) Previously, the target for overnight delivery was a radius of roughly 100 miles around New York City; under the new standard, anything outside the city limits fell into two- or three-day delivery target zones. In September 1990 Frank declared that the New York City delivery goal cutback "worked splendidly. . . . The improvement in service was immediate. Service performance for stamped and metered mail improved substantially in the local area and has continued to improve."(46) Yet the Price Waterhouse test revealed that mail service in the Big Apple was the worst in the nation: only 46.9 percent of first-class letters mailed within the city of New York to New York City destinations were delivered overnight.(47)

Frank said in response to the Price Waterhouse comments at the November 6, 1990, meeting of the Postal Service's Board of Governors, "I think the numbers came out pretty much about where we expected them under this different kind of a measurement system."(48) A week later, writing in USA Today, Frank commented, "The results of this . . . 'checkup' are about what we expected."(49) Yet if the Postal Service "expected" that the Price Waterhouse test results would come in far lower than its own in-house measurements, why did the Postal Service spend millions of dollars in the past decade making false claims about first-class mail delivery in its advertisements?

The question arises: what did the postmaster general know, and when did he know it? If Frank actually recognized that the ODIS information understated by 75 percent the number of late first-class letters, he knowingly sought to deceive the American public in his speeches claiming a 95 percent success rate. And if Frank did not realize that the ODIS numbers were a farce, he was completely in the dark about the actual performance of his organization.

As Federal Trade Commission spokesman Joel Winston noted: "If a company is claiming a success rate for a product or service, and that is not the rate that the company has, then that would be false advertising. If you knew what you were saying was false, or if you showed reckless disregard for the facts, then that might be considered fraudulent."(50) According to Postal Inspection Service spokesman Daniel Mihalko, mail fraud is any type of scheme or artifice to obtain money or property by means of misrepresentation or deception via the mails, and it is punishable by up to five years in prison and a fine of \$250,000.(51) The Postal Service published false information in its advertisements for first-class mail in order to persuade people to use its mail services.

Since the Price Waterhouse results were released, not a single postal official has stepped forward to apologize to the American public for the service's decades of deceptive advertising claims about the delivery of first-class mail.

### **The Postal Service's War on Service**

Since 1987 the Postal Service has slashed service by abolishing Sunday mail pickups and rolling back the last mail pickup times in many towns and cities from 5 p.m. to 4 p.m. But the biggest cutback in service has been the abolition of home mail delivery for millions of Americans.

Doorstep delivery was abolished in 1978 for new homes and is gradually being phased out for older homes. The Postal Service is imposing a new mail delivery system. It is delivering mail to central locations--"cluster boxes"-- and requiring people to travel half a mile or more to pick it up. The Postal Service is carrying out that service cutback solely because it is cheaper not to deliver mail to people's homes. And the Postal Service will fine or imprison any private carrier who delivers letters to people's doorsteps.

The Miami Herald reported in 1988 that "only 29 percent of South Florida residents get their letters delivered to their doors."(52) According to Meg Harris, a Postal Service Washington spokeswoman, "Times are changing. . . . Communities are growing so large and the volume of mail increasing so rapidly that new delivery methods are

essential. Over time, door delivery is going to be phased out."(53) Postmaster J. N. Campbell of Virginia Beach, Virginia, declared: "The old days of mail being taken to your home are coming to an end. Efficiency is first in our minds."(54) The Miami Herald noted, "Only a decade after the new regulations took effect, half of all new deliveries nationwide are to cluster boxes."(55) A 1987 General Accounting Office report concluded that local postal officials were forcing developers of new housing to install cluster boxes regardless of whether those developers wanted cluster boxes.(56)

Cluster boxes may be mail thieves' best friend. Ed Gleiman, a staff director of the Senate Governmental Affairs Committee, noted: "It is nobody's obligation to watch the cluster box, and a thief can steal 16 people's mail at once with a simple screwdriver. Those locks might make the Postal Service feel safe, but they certainly wouldn't discourage anyone who really wanted to break into them."(57)

The Postal Service is substituting a profusion of grandiose claims for real service. Postmaster General Frank told a congressional committee in September, "I want to emphasize that I believe the Postal Service provides the best service in the world."(58) In early 1990 Frank declared, "We deliver 41 percent of the world's mail volume and we do it faster . . . than . . . the postal services of Great Britain and Germany."(59) But in the United States customers must pay the Postal Service \$8.75 for quasi-guaranteed next-day delivery with a high failure rate. In Great Britain and West Germany, for 50 cents, a citizen can get practically guaranteed next-day mail delivery throughout the country. The United States is much larger than Germany, but at the U.S. Postal Service's pace, a first-class letter would take three or four days to go from Hamburg to Munich.

### **Missing: Honest Information on Lost and Destroyed Mail**

When the contract for the Price Waterhouse study was announced, a special part of the study was to determine how much mail vanishes into the postal abyss--the percentage of mail lost or misdelivered.(60) Though the Postal Service did release some of the Price Waterhouse test results, it decided that other parts of the test results must be kept secret. As the New York Daily News editorialized, "How many of these 'overnight' letters fail to arrive within two days? or three days? or even two weeks? That the post office won't say. It arrogantly draws a line on public disclosure about its quality of service, claiming 'proprietary rights' to secrecy. With mail service as bad as it is, of course, it's easy to understand the silence. Postal officials no doubt fear the public's wrath if more figures are released."(61) Postal Service spokesman Michael West explained: "The only information that we have been making public is the percentage of first-class mail that was delivered on-time in the respective categories: overnight, two-day, and three-day. I cannot provide any more information."(62)

The monopoly Postal Service is effectively forcing American citizens to pay for the \$23 million Price Waterhouse survey. Yet postal officials insist that the citizens have no right to more than a tiny sliver of the information the survey gathered. If a private business conducts a survey and keeps the results confidential, that is one thing. But if a government entity with a monopoly forces its captive customers to pay for a survey and then refuses to release most of the results of the survey to the customers who paid for it, that is entirely different. There is probably a huge variance in the percentage of letters lost by different post offices in different cities. If a city has an especially high rate of lost letters, then citizens should be so informed so that they can protect themselves against being victimized by an inefficient, incompetent, and apathetic postal operation.

The Postal Service may soon have to file environmental impact statements for all the mail its workers are dumping in America's trash cans and on her roadsides. A Rhode Island carrier was arrested after 94,000 letters were found buried in his back yard.(63) A Boulder, Colorado, mail carrier was arrested after three tons of undelivered mail were discovered in his house.(64) Eleven letter carriers at a Brooklyn post office--a quarter of all the carriers at the post office--were arrested in 1988 for throwing away thousands of letters.(65) One Arlington, Virginia, postal clerk told a customer, "We don't have room for the junk mail--so we've been throwing it out."(66) A Postal Inspection Service audit found properly addressed mail dumped in the trash at 76 percent of the post offices visited.(67) The Federal Times reported that an investigation of Philadelphia post offices "found deliverable first-class mail strewn on the workroom floor and being walked on by employees . . . and the destruction of mail that could have been returned to senders."(68) Between October 1989 and March 1990, the Postal Inspection Service arrested almost 1,000 postal workers for stealing, delaying, or destroying mail.(69) Throwing away mail has become so pervasive that postal

inspectors in 1986 notified employees that throwing away mail is bad for business.(70) The Postal Service is probably losing or throwing out over a billion letters a year.(71)

### **Express Mail: The Biggest Turkey of Them All?**

Express Mail is widely perceived as the "flagship of the Postal Service," as former Board of Governors member John Mckean declared in 1986.(72) Even though Express Mail accounts for less than 0.05 of 1 percent of the Postal Service's annual mail volume and less than 1.5 percent of its total revenue, postal managers have become obsessed with increasing Express Mail volume. As Adweek noted in 1989, "A winning battle against Fed Ex could gain the Postal Service new credibility with Congress."(73)

The Postal Service's share of overnight courier mail has collapsed in recent years--down from 30 percent in the late 1970s to 12 percent in 1990. Craig Kloner, an analyst at Goldman Sachs, observes: "The quality of service the post office provides is not anywhere near what Federal Express offers. The post office's market is with the infrequent user who for some odd reason uses the post office. Maybe they just don't know any better."(74)

Federal Express has an extensive computer tracking system that can tell a customer at any time the location of his letter. If Fed Ex cannot tell a customer within half an hour exactly where his package is in the system, the company will provide a full refund. The Postal Service has no tracking system and has suffered some major embarrassments over lost packages. Swimming champion Mary Meager had two gold medals from the 1984 Summer Olympics vanish when her parents mailed them to her via Express Mail.(75)

One Washington postal expert observed, "You go to any post office and the management is worried about increasing this tiny slice of the Postal Service's total volume--and it gets more management attention than any other service they have on the menu."(76) The late Rep. Mickey Leland (D-Tex.), chairman of the House Postal Operations and Services Subcommittee, complained in 1989 that much of the Express Mail operation "is a wasteful allocation of resources in derogation of the postal constitutional mandate, unsound as a business matter and needlessly duplicates the same or better service available from private service entities."(77) Business Mailers Review reported in 1988:

Express mail sales representatives are under the gun. While their product usually isn't competitive in the corporate market, post offices' commercial accounts reps. are pressured to get new business. There are penalties for failing. . . . As a result of such pressures, corporate mailers have been told that more Express Mail business would "enhance" their relations with the post offices.(78)

According to Frederick W. Smith, the CEO of Federal Express, if a company cannot meet the delivery deadline for over 99.5 percent of its courier letters, the company should not be in the express business.(79) The Postal Service's goal for Express Mail delivery is 95 percent.(80) Thus, the Postal Service's standard explicitly sanctions 10 times more late express letters than does the Federal Express standard. (The Postal Service's low Express Mail standard has been sharply criticized by postal governor John Griesemer.)(81)

But even with its low standards, the Postal Service has performed dismally. In the second quarter of 1990, the Postal Service failed to deliver almost 10 percent of all Express Mail letters on time. From mid-December 1989 through mid-January 1990, over 16 percent of all Express Mail letters were delivered late.(82) Those figures are derived from Postal Service internal tests that, like other internal tests, probably severely understate the percentage of late mail. Express Mail service is especially bad in the West. Joseph Caraveo, postmaster general of the Western Region, told the Board of Governors of the Postal Service last July: "In our western hub at Las Vegas . . . we have suffered from poor reliability. . . . The Pacific Northwest continues to be a difficult area to connect with transportation, and as a consequence Portland and Seattle continue to experience Express Mail service problems."(83)

The Postal Service deftly solved the problem of its odious early 1990 Express Mail performance statistics. In August 1990 the Postal Service announced that it would no longer reveal its Express Mail failure rate.(84) Postal Service spokesman Michael West explained: "It was decided to keep Express Mail proprietary. The information would unfairly benefit our direct competitors in this product line."(85) The Postal Service rarely misses a chance to wrap itself in the American flag; it even uses the American eagle as a symbol of its service. The Postal Service apparently feels that it is entitled to all of the benefits of being a government agency but should have to accept none of the responsibilities.

In October 1990, three months after Express Mail performance data had become top secret, Frank announced that "Express Mail has reached record highs for on-time delivery."<sup>(86)</sup> Since the performance data are now top secret, it is difficult to dispute Frank's claim. But it is extremely unlikely that in a few months Express Mail turned itself around and went from near all-time low levels of performance in early 1990 to the levels of performance it had attained in the mid-1980s, when it claims to have delivered 96 percent of its letters on time. It is also highly implausible that the Postal Service decided to keep Express Mail performance data secret just at the time the service achieved by far its greatest increase in reliability. The Postal Service has no plans to have Price Waterhouse measure the delivery success rate of Express Mail any time in the future.

Postal Service officials perennially exaggerate the contribution of Express Mail to postal revenues. In October 1990 Frank declared that Express Mail made a "net contribution of \$500 million to the Postal Service," meaning that, after costs of providing Express Mail, the Postal Service made a \$500 million profit.<sup>(87)</sup> But the Postal Service's total revenue from Express Mail was only \$676 million. For Frank's statement to be accurate, the Postal Service would have needed to have made a profit of 284 percent on Express Mail. According to the Postal Rate Commission, the "institutional contribution"--the amount left over after payment of directly attributable costs--of Express Mail was only \$150 million in both 1989 and 1990, and that contribution has fallen by over 50 percent since 1985.<sup>(88)</sup> In percentage terms, first-class mail makes a much greater contribution (185 percent) to the Postal Service than does Express Mail (128 percent).<sup>(89)</sup> Since a large portion of the costs of all mail classes is classified as institutional, the Postal Service is effectively forcing first-class mail users to subsidize Express Mail services.

If the Postal Service is unwilling to publish its Express Mail failure rate, the least it could do is to voluntarily print a warning on each Express Mail letter clearly stating, "Warning: Relying on Express Mail Could Be Fatal to Your Business."

### **The Mirage of Postal Productivity**

On September 19, 1990, Postmaster General Frank declared, "In a year when productivity slumped in every sector of the American economy, ours rose four consecutive quarters from the final quarter of last fiscal year."<sup>(90)</sup> Postal officials have made great hay of the fact that the Postal Service has shown a slight increase in productivity in the last year and a half, after its productivity had sharply declined in the previous year. But despite Frank's bragging, the Postal Service's productivity has long been abysmal. Its problems are the natural results of a government monopoly with minimal incentives to maximize its productivity or control its costs.

Frank bragged to a congressional committee in April 1989: "We are deploying the greatest amount of automation that has ever been deployed. Every day we are making progress."<sup>(91)</sup> But the great mail slowdown is intricately connected with the "success" of the Postal Service's automation program. Representative McCloskey observes, "It appears that the decision to insure two-day rather than one-day delivery was based solely upon the sorting of mail with new automated equipment."<sup>(92)</sup> Robert Cohen, of the Office of Technical Analysis and Planning of the Postal Rate Commission, concluded, "We found no savings and no impact on postal productivity for the three-quarters of a billion dollars spent on automation" since 1982.<sup>(93)</sup>

The Postal Rate Commission issued a massive report last year that concluded, "Postal productivity peaked in 1978 . . . and generally has declined with some fluctuations since that time."<sup>(94)</sup> The commission's Cohen observed: "For 1988 the Service said automation and other cost control plans would reduce the number of work years by 17,222. Instead they increased 24,813 over its plan."<sup>(95)</sup> A General Accounting Office investigation found that at 22 sites where mail was being processed on new machinery, "only about a third of the work-hour savings forecast from the equipment was being attained."<sup>(96)</sup>

The U.S. Postal Service's productivity increases compare extremely poorly with those of the Canadian postal service. The U.S. Postal Rate Commission found that the total factor productivity of the Canada Post increased 30 times faster during the 1980s than did that of the U.S. Postal Service.<sup>(97)</sup> The commission also noted, "Labor productivity gains in [Postal Service] mail processing functions, which are in many ways analogous to manufacturing operations, were 0.8 percent per year in 1971-89, compared with 2.7 percent per year for the Manufacturing Sector."<sup>(98)</sup> The real measure of productivity is the cost of production--whether the cost of delivering mail has increased or decreased in constant

dollars. The commission concluded, "Since 1971, the Postal Service's real unit operating expenses have risen 14 percent."(99)

The poor productivity of postal workers should come as no surprise. A survey by the Postal Inspection Service concluded that the average letter carrier wasted an hour and a half each day, thereby costing the Postal Service \$646 million per year.(100)

During the 1990 Postal Rate Commission hearings on the proposed rate hike, the Postal Service was forced to admit that the amount of time U.S. mail-processing employees were unproductive had tripled in the last 20 years. In 1969 the Post Office paid \$118 million for mail processors' nonproductive time; by 1989 that cost had ballooned to \$1.82 billion. Postal officials had little or no idea why the increase in nonproductive time occurred; one hypothesis was that workers were taking more cigarette breaks. Assistant Postmaster General Frank Heselton reassured Washington Post reporter Dana Priest "that the increase in nonproductive time has not affected productivity."(101)

Postal clerk C. J. Roux told the Washington Post: "The mail is not coming in here so we have to slow down. . . . We don't want to work ourselves out of a job."(102) Postal carriers also told Post reporters that they slowed down in order to preserve their jobs.(103) I have talked with several postal employees who are profoundly frustrated and disgruntled by the lack of proper management; workers who hustle are not recognized and rewarded by managers, and workers who loaf routinely go unpenalized.

The Postal Service has also gotten poor returns on its investments. Congress recently raised the Postal Service's borrowing limit to more than \$10 billion. Yet, like a Third World government that borrows heavily and then wastes the capital, the Postal Service often squanders what it borrows. A recent internal study of 14 major Postal Service capital projects found that most had negative returns or returns of less than 5 percent.(104) The GAO recently surveyed the Postal Service's property acquisition program and found rampant bureaucratic imperialism: the Postal Service bought 50 percent more property than its own estimates showed that it needed. On 28 percent of the purchases, the Postal Service did not even attempt to negotiate a lower price--it simply paid the seller's first asking price.(105)

Postal management has a novel attitude toward productivity. Frank told the Senate Governmental Affairs Committee in 1989: "There are aspects of the Postal Service that do not deal with productivity--in fact, that are inimical to productivity. And, one, of course, is service. Well, I suppose the higher the level of service, the lower the productivity."(106) It is peculiar that the postmaster general believes that a service organization's productivity can somehow be decreased by providing service.

The slower the mail becomes, the more productive the Postal Service can appear to be. The Postal Service's productivity measurement completely disregards the quality, or speed, of the service that it provides to its customers. Thus, it is not surprising that the service claims some of the biggest productivity advances in the year of the largest mail slowdown. A spokesman for the Senate Governmental Affairs Committee told the Federal Times in November, "Anybody can save money by not delivering the mail."(107)

### **Contracting Out and the Unions**

The Postal Service is raising stamp prices largely because it has failed to control its labor costs. Labor accounts for 83 percent of the Postal Service's budget. Each worker is costing the Postal Service over \$43,000 per year in pay and perks, according to John Crutcher of the Postal Rate Commission in a survey that compared postal wages with the wages of state government mailroom and delivery workers.(108) Commissioner Crutcher has called postal workers "the highest-paid semi-skilled workers in the world."(109)

U.S. Postal Service employees are paid far better than workers performing comparable work elsewhere in the U.S. economy. In the previously mentioned survey, Commissioner Crutcher and his associate, Len Merewitz, concluded that postal wages were 84 percent higher than wages paid by state governments for the same type of work.(110) The U.S. Department of Labor compared Postal Service mail handlers' pay in the Binghamton, New York, area with the pay earned by private-sector mail handlers and concluded that Postal Service pay and perks were more than double those received by workers in the private sector.(111)



Contracting out postal work could save billions of dollars. The Postal Service already contracts out some rural delivery routes. A 1989 Postal Inspection Service audit that compared the contract delivery routes with the postal carrier routes found that "most offices rated contract delivery service, attendance, route coverage, customer satisfaction, and security of the mail equal to rural route and city carrier performance."(112) Eight cities reported that contract carriers had better attendance records than postal employees doing the same type of delivery work. The inspection service concluded that, on average, the contract routes provided service for only half the cost of the postal carrier routes.(113)

In 1989 the Postal Service contracted to put postal outlets manned by Sears employees in Sears stores. The service paid Sears 7 percent of sales, roughly one-third of the in-house cost of providing the same service.(114) The American Postal Workers Union was outraged; APWU members sent a form letter to Sears declaiming, "We're mad as hell over the low-wage, no-skill, non-union postal outlets."(115) (It is surprising that the union would admit that being a postal clerk is a "no-skill" job.) APWU president Moe Biller declared, "Postal workers view this as an outrageous attack on their jobs. It represents a dangerous step down the road towards privatization."(116) The APWU urged its members to tear up their Sears credit cards and mail them back to the store.(117)

Sears eventually succumbed to the union boycott and closed down its postal outlets. Though that contract represented a huge savings for the Postal Service--and a benefit to its customers, who appreciated the longer opening hours of Sears postal outlets--the Postal Service did nothing to come to Sears's support when the APWU began attacking Sears. At least one Sears official felt that the company had been "set up" by postal management to get clobbered in a public relations fiasco.(118) Van Seagraves, editor of *Business Mailers Review*, observed, "In hindsight, it is obvious that postal management goofed by setting up Sears up as the 'lightning rod.'"(119)

Postal unions have even denounced allowing grocery stores to sell stamps. Al Walker, president of National Post Office Mail Handlers Local 318 in Hollywood, Florida, declared, "I am opposed to anybody else selling stamps, because it would be denying dedicated people the work they were hired to do."(120) Manuel Moro, APWU's vice president, complained: "Eventually they will be taking our jobs. We don't want anybody to invade our turf."(121)

The long lines at many post offices are simply the Postal Service's way of forcing the average citizen to "make a contribution" to the members of the APWU. The Postal Service agreed to a clause in the union contract that prohibits postal supervisors from pitching in to help customers when long lines develop at post office windows. But at least the Postal Service has begun asking its clerks to be less surly to customers.

Postal unions donate over \$1 million a year to congressional campaigns, and Congress has sometimes intervened to prevent postal management from adopting cost-saving measures that would diminish union members' power or income. Rep. William Clay (D-Mo.) is taking over the chairmanship of the House Post Office and Civil Service Committee this year. When he was asked at a recent dinner for the Board of Governors of the Postal Service what his postal legislative policy would be, Clay answered, "Anything the postal unions want, I want."(122)

### **"Image Is Everything"**

Postal Service managers are trying to solve the Washington riddle of the sphinx--how to achieve a better image while providing worse service. Since the agency does not face competition--and has no reason to strain itself to serve its customers--it has become obsessed with its own image.

The Postal Service spent roughly \$15 million for the right to be a cosponsor of the 1992 Olympic Games and will spend more than \$120 million on Olympic promotions during the next three years. As the *Federal Times* noted, "Fundraising plans include the Postal Olympic Express, a festive cross-country caravan that will stop in 30 cities and be used to generate enthusiasm for the games, advertising campaigns and the selling of rights to use the Olympic/Postal Service logo to businesses and mailers."(123) (Postal management believes it will be able to turn a profit by selling the right to cosponsor the Olympics to foreign postal systems and others.)

The Postal Service's obsession with its Olympic sponsorship--and its bizarre hopes that the sponsorship will change its image--epitomizes management's thinking. Assistant Postmaster General Deborah Bowker declared at the September 1990 meeting of the Board of Governors, "Research following the 1988 Olympics concluded that 95 percent of Americans view Olympic sponsors as successful; 88 percent see sponsors as vital and energetic; 86 percent see

sponsors as industry leaders; and 80 percent believe that Olympic sponsors are dedicated to excellence."(124) Frank declared, "Olympic sponsors such as VISA, 3M, and Coca-Cola are viewed by customers as industry leaders, as quality service providers--the kind of people you'd like to do business with."(125) Postal management appears to have blind faith in "competence by association"--that Olympic viewers will somehow assume that, since many topnotch private companies back the Olympics, the Postal Service must also be topnotch. One congressional staffer cynically suggested that part of the enthusiasm for sponsorship of the Olympics derives from the fact that many top postal officials will get free trips to the games.

"We're 'going for the gold' by focusing on competitive excellence--the Olympic spirit--that the Postal Service shares. We hope to tap that personal and institutional pride 'to deliver America's best,'" Frank declared last September.(126) The Postal Service's pride in its Olympic sponsorship is difficult to reconcile with its enthusiasm for slowing the mail. How would people respond if a U.S. Olympic coach announced that, in the future, U.S. hurdlers would run 10 percent slower so as to hit fewer hurdles--or that American swimmers would swim 10 percent slower to avoid bumping their heads on the edge of the pool?

There is also irony in the Postal Service's attempt to capitalize on the theme of "competitive excellence." If the U.S. Olympic team "competed" like the U.S. Postal Service, it would take a few hundred lawyers to Barcelona in 1992 to file suits against foreign athletes who jumped too high, ran too fast, or punched too hard.

Last year the U.S. Chamber of Commerce, angry over the plans for the big rate hike, solicited Postal Service "horror stories" from businesses. Postal workers were furious, and the chamber was soon deluged with form letters denouncing its efforts. As columnists Jack Anderson and Dale Van Atta noted, "Nearly all correspondence from Kansas was a form letter and the majority of the letters were sent on Postal Service stationery stamped for official business."(127) James Mruk, postal spokesman for the Central Region, said the Postal Service "has a responsibility to respond to such attacks. We're not apologizing in any way for using official business stationery. We did it the most efficient and least expensive way we could."(128) This is the Postal Service's view of "efficiency": doing what is best for postal workers at the public's expense. The Postal Service needs to retain a monopoly in order to provide sufficient revenue to finance postal workers' counterattacks on anyone who criticizes the Postal Service.

## **The New Rates**

The new postage rates that become effective on February 3 are carefully crafted to sacrifice the Postal Service's captive customers to subsidize mailers in mail classes in which the Postal Service faces competition. The Postal Service had requested a 30-cent first-class stamp; the Postal Rate Commission instead mandated a 29-cent stamp, thereby saving mailers \$800 million a year. The commission concluded that "the original Postal Service rate proposals placed an increasing and unjustified proportion of [the burden on] institutional or overhead first class while reducing the burden on bulk third class."(129) The Postal Service sought a rate structure that would increase the relative institutional/overhead burden on first-class users from 20 percent above the average for all classes of mail to 35 percent above that average and a reduction of the overhead costs imposed on third-class mailers from 16 percent below average to 21 percent below average. The commission revised the rates, mandating that first-class users make a contribution to overhead costs 24 percent higher than the average for all mail classes, while third-class users make a contribution 7 percent less than the average. Though the commission package is better than the Postal Service proposal, first-class mail users are still being forced to help underwrite junk mail. Partly because of that indirect subsidization, third-class mail volume increased 214 percent between 1970 and 1989, rising from 24 to 39 percent of all domestic mail.

The most revealing aspect of the entire debate on the rate package was the proposed rate for a category of third-class mail in which the Postal Service is now facing fierce competition from private delivery services. While the Postal Service sought to raise the rate for first-class mail by 20 percent, it proposed reducing the rate for the lowest priced third-class mail by 9 percent. Postal Service economist Richard Mitchell told the Wall Street Journal that the rates were being cut in order to help the service meet private competition.(130) Mitchell, in testimony before the Postal Rate Commission, voiced concern over "whether private [third-class delivery companies] can compete unfairly with the Postal Service."(131) Mitchell warned that private delivery rates lower than Postal Service rates could "create an anticompetitive situation" and that, "from the point of view of the nation, this is a very undesirable outcome."(132) The

Postal Service apparently feels that the national interest requires it to manipulate rates in order to crush private competition. While first-class rates have increased 93 percent in nominal terms since 1981, from 15 cents to 29 cents, rates for the lowest priced third-class mail have increased less than 30 percent.

Postal Service officials claim that the rate increase is justified because the service is obliged by law to operate on a "break-even" financial basis. But that is simply a glorified version of the old doctrine of "need is the basis of right." Any time the Postal Service appears to need more revenue, citizens should be forced to pay higher prices for stamps. Citizens have an unlimited duty to pay for the Postal Service's operation, but the Postal Service has no obligation to operate in an efficient, effective manner or to provide prompt, reliable service.

### **Why Not the Best?**

Anthony Frank appears to suffer from a severe case of "agonistophobia"--fear of competition. In January 1990 he declared, "Competition--as an economic principle--might make us more efficient but that would be at the expense of making us less effective."(133) Frank told USA Today, "What I'm after is to make the Postal Service so efficient that we don't have to worry about the marketplace."(134)

Frank has missed few opportunities to denounce proposals to allow private competition in mail delivery. He warned in 1989 that privatization would be "the Wino and Derelict Full Employment Act. . . . A lot of [private carriers] would only work until they get the price of a bottle of Ripple and then they'd quit."(135) The Postal Service's own employees, in contrast, are paragons of virtue. Fourteen New York employees were arrested in April 1988 for backdating postmarks on entries in a New York Daily News contest to predict the final score of the 1987 Super Bowl.(136) The most recent U.S. Postal Inspection Service semiannual report noted that, in La Puente, California, "a letter sorting machine clerk was identified and arrested for supplying credit cards stolen from the mail to a major credit card ring" (losses to 16 credit card companies totaled \$4.5 million); in Wichita, Kansas, a postal clerk was convicted of stealing letters containing food stamps; in St. Paul, Minnesota, a mailhandler "rifled and embezzled the contents of hundreds of parcels being returned to Fingerhut Corporation."(137) Of course, most postal workers are honest, law-abiding citizens. Yet there is no reason to assume that postal workers are inherently more virtuous or trustworthy than private employees.

Frank, commenting on the mail slowdown last September, declared, "We could just tell [the American people] that we are 'all you've got' and 'tough luck' or we could have listened to them, and we listened to them."(138) "Tough luck" is exactly what Americans will have if they need speedy delivery of first-class mail

To protect the U.S. Postal Service, the government has effectively nationalized every American's mailbox. The federal government prohibits any private company from depositing letters or other material in private citizens' mailboxes. Even if a private citizen chooses to allow a private carrier to deposit mail in his mailbox, the Postal Service will confiscate the privately delivered letters and impose a heavy fine on the private carrier. Frank told Fortune magazine in August 1989 that his "doomsday scenario" was "that Congress would give other deliverers access to the mailbox."(139)

Frank told Steve Tompkins of the Memphis Commercial Appeal in July 1990, "The framers of the Constitution said everybody is entitled to the same service at the same price."(140) That is a figment of the postmaster general's imagination. The Founding Fathers never made any such claim. The U.S. Constitution says that the U.S. government has the power to establish a post office. (It does not require the government to do so.) There is nothing about uniform rates or service or about a monopoly. Besides, the Postal Service does not provide the same service to all the people: citizens in Kansas City are twice as likely to get next-day delivery of local first-class letters as are citizens in New York City.(141)

Frank told Advertising Age in September 1989, "Private delivery has . . . been tried plenty of times before and failed every time."(142) In reality, for 200 years the government's postal service has been playing a game of catch-up with its illegal competition. The Pony Express was originally a private service that delivered mail between St. Joseph, Missouri, and Sacramento, California, in less than half the time it took the Post Office to deliver it. Likewise, private carriers pioneered home delivery of mail in the 19th century--after which the Post Office's lawyers shut them down

and the Post Office management adopted their methods.

In every area in which the government has not banned alternative delivery, private competition is burying the Postal Service. When asked about the near-extinction of the Postal Service's fourth-class parcel business, Frank declared in 1989: "Unfortunately, we only handle about six to eight percent of all the parcels in the United States. The remainder is sent primarily with United Parcel Service and some of the other services. So we never even get a shot at being able to compete."(143) This is the ultimate in self-delusion: a businessman, whose company vexes customers almost every chance it gets, whining about not getting a chance to compete. In 1973 Postmaster General Elmer Klassen admitted that the Postal Service damages five times as many packages as does United Parcel Service.(144) Little has changed since the 1970s. And the Postal Service's first-class mail delivery goals are now slower than United Parcel Service's standards for fourth-class parcel mail.

The postal monopoly gives local post offices the right to arbitrarily ban mail delivery to some people's houses. In the old days, postal officials loved to brag that "neither snow, nor rain, nor heat, nor gloom of night stays these couriers from the swift completion of their appointed rounds." But in the 1990s the only thing necessary to stop mail delivery is a few leaves. In California, the Altadena post office informed one disabled woman that it would not deliver her mail until she picked up the leaves on the parkway in front of her house because postal officials feared that the leaves made the dirt road "slippery when wet," and therefore too dangerous for a postal carrier.(145) In Lynn, Massachusetts, postal officials ended mail delivery to dozens of residents on Vine Street after someone reportedly verbally harassed a female postal carrier. The residents were told that they could come to the post office to pick up their mail between 10 a.m. and 4 p.m. on weekdays. (A local police sergeant disagreed with the Postal Service's belief that the neighborhood was dangerous for a female carrier.)(146) If the Postal Service actually cared about serving its customers, and a threat to the female carrier actually existed, the service could have simply assigned a male carrier to the route.

Frank, who is concerned about the strong postal unions, recently complained to Fortune: "The auto industry and the UAW cooperate largely because of the Japanese threat. Well, I don't have a Japanese threat to wave over our people."(147) Frank is learning the same lesson that Gorbachev is learning: it takes more than moral exhortation to make workers exert themselves. And like Gorbachev, Frank has failed to reach the logical conclusion: full-fledged competition is needed to boost productivity.

Frank declared last September that one reason for cutting back next-day mail delivery targets was the increase in mail volume.(148) The Postal Service insists on monopolizing letter delivery--and then cites the quantity of letters as an excuse to delay mail delivery.

Last fall Sen. James R. Sasser (D-Tenn.) proposed an amendment to allow private companies to carry priority mail at the same price the Postal Service charges during an 18-month trial period. Currently, postal regulations mandate that competitors must charge at least double the Postal Service's rate for priority mail.(149) The amendment would have allowed private companies to carry bundles of letters for as little as \$3 a bundle; currently, such discounts are forbidden by postal regulations.(150) As Frank told the House Post Office and Civil Service Committee, the Sasser amendment "provides for large corporations to take all of their mail from one place to another place and bundle them up without stamps and send them, via these packages."(151) Frank warned that the Sasser amendment "would be the beginning of the end of the Postal Service as we know it. . . . It would open up priority mail to be raided by the overnight couriers."(152) (According to the Postal Service's Consumer Affairs Department, "priority mail" is an oxymoron: over 17 percent of priority mail nationwide was delivered late according to the most recent official report.)(153) Sasser is expected to reintroduce his amendment this year.

The foundation of the postal monopoly is the belief that government must prohibit other people from carrying the mail--no matter how slowly the mail moves, or how many letters the government loses, or how high stamp prices go. America's postal system is based on the idea that it is better to trust a public monopoly to provide service out of its own good will than to rely on private companies to provide good service out of sheer necessity. Postal Service officials perennially proclaim they are a public service-- even as they repeatedly slash service to the public.

America should recognize that the words "monopoly" and "public service" will almost always be in contradiction. We have a choice of blindly trusting the generosity of government bureaucrats or of relying on competing entrepreneurs.

Who believes that America would be better off if the government outlawed Federal Express and United Parcel Service?

Pressure to end the postal monopoly is mounting. The Third Class Mail Association, one of the largest mailer lobbies, is on the warpath to repeal the monopoly over third-class letters. New Zealand recently privatized its postal system, and Canada is now allowing competition for all classes of mail except first. As a Reason Foundation study reported, Britain, Finland, Israel, the Netherlands, South Africa, and South Korea are also taking steps toward ending government mail monopolies.(154)

## **Conclusion**

Last October the Polish Parliament voted 256 to 1 to end the Polish government's postal monopoly, formally opening the door for private postal delivery.(155) Scores of U.S. government officials have flown to Poland in the past year to lecture the Poles on the virtues of free enterprise and the evils of socialism. The United States should not be too proud to take a lesson from a nation that has suffered grievously from government-controlled enterprises.

The United States cannot afford to enter the 21st century with a communications system that has been deteriorating ever since the 18th century. Regardless of Frank's good intentions, mail service continues to get slower, more expensive, and less reliable. How much more can the Postal Service punish its customers before it loses the right to ban competitors?

In 1843 Postmaster General Charles Wickliffe admitted that many people thought the government's mail monopoly was "odious" but insisted that it must be preserved for the good of the country.(156) Now, almost 150 years later, the monopoly is still odious and less justifiable than ever. There is no need to give a federal behemoth exclusive control over the transport of small envelopes. It should not be a federal crime to deliver the mail faster than the Postal Service.

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