

POSTAL PROBLEMS: Stamps going up again?

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As recently as 2005, the cost of a first-class stamp was 37 cents. On July 6 of this year, the U.S. Postal Service proposed yet another rate hike, taking the first-class stamp to 46 cents. This rate hike would follow similar jumps in 2006, 2007, 2008 and 2009.

Is it now time to privatize the postal service?

The USPS is in a terrible position in today's technologically-driven world. The public now uses emails, online bill paying and text messages instead of writing (and mailing) letters and paying bills through the mail. According to a report by the Newspaper Association of America, USPS mail volume has declined 17 percent — or some 36 billion pieces — over the last three years. The postal service's deficit for fiscal 2010, which ends Sept. 20, is projected at \$7 billion, meaning Congress very well may have to step in and cover the losses with tax money.

The USPS is trying to cover the losses with not only the rate increase (expected to bring in an estimated \$2.3 billion for the first nine months of 2011), but also has proposed eliminating Saturday delivery, which could save between \$2 billion and \$3 billion a year, depending on which research you follow.

Those changes still don't add up to the estimated shortfall for this year — and it is quite possible a bigger public backlash over rising prices/decreasing service could cut into the expected revenue tremendously.

One reason the postal service has its monopoly on first-class mail is to ensure that the mail will be delivered to every residence in the country. Will FedEx really want to deliver a water bill to some far-off country road in Cumby?

Fundamental changes within the USPS structure would help more — including a drastic workforce reduction. Lower payrolls are the quickest routes to black ink.