

# The Postal Service at 50



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**T**he beginning of this month marks the 50th anniversary of the United States Postal Service. Of course, by July 1, 1971, the U.S. Post Office was approaching its bicentennial. It was created on July 26, 1775, by the First Continental Congress, even before our country won its independence. The Postal Reorganization Act of 1970 (PRA) did just what the name suggests: It reorganized the Post Office Department in fundamental ways. Spurred by the Great Postal Strike of 1970 that was led by our great union, the PRA transformed our agency. It went from a poorly performing, taxpayer-supported cabinet department whose workers relied on Washington lobbying (collective begging) to advance their

interests and living standards to a self-sustaining public enterprise with collective bargaining conducted under private-sector labor law.

By all objective standards, the PRA was a huge success. It modernized the nation's postal networks to increase efficiency and improve service, and it allowed USPS to operate with the world's most affordable postage rates, which it still does. At the same time, it permitted postal workers to claim a stable position in the middle class, with the ability to buy homes, save for their children's education and build retirement nest eggs. The PRA was a "win-win-win"—taxpayers saved tens of billions of dollars, ratepayers got better service at low, steady rates, and postal employees won dignity at work. The public enterprise model worked.

**All this is worth celebrating, as we do in this issue (see story, page 10).** But it also presents a suitable moment for reflection about whether our existing model still makes sense. Can the Postal Service thrive in the 21st century as a financially independent public enterprise? I believe the answer to this fundamental question is "yes." Before discussing why I believe this, it is worth noting that not everybody agrees. Indeed, senior postal management has been arguing for years that the "business model is broken." On the surface, the Postal Service's chronic financial woes since 2007—with average losses of \$6.3 billion annually—certainly seems to support that view. Technological change is certainly reducing the volume of letter mail, and many advanced countries around the world have privatized their postal operators. All true. But that does not mean that the public enterprise model cannot be revitalized in the United States.

First, while technology has reduced First-Class Mail volume, it is also driving explosive growth in parcels, and the Postal Service is well positioned to capture this work with the deepest and best first-

mile and last-mile networks in the country. Second, marketing mail is still an incredibly effective advertising medium that stands out from the blizzard of electronic messages that most Americans tune out—the USPS should focus on growing that business. Third, new uses of First-Class Mail can and should be fostered. Mail-order prescription drugs have revolutionized the way Americans get their medicines. Vote-by-mail has exploded in popularity—and extending postal voting to union elections, party primaries, city and state elections, and ballot initiatives is doable. Same-day and next-day delivery of hyper-local products and communications for neighbors and small businesses can be promoted. Fourth, the financial crisis facing the Postal Service in recent years was largely manufactured by poor public policy decisions—the retiree health pre-funding mandate (responsible for 84 percent of reported losses since 2007) and the overly strict consumer price index price cap are the main culprits. These policies are being changed. Finally, postal privatization attempts elsewhere have largely failed—postage rates soared in privatized countries and volumes declined even more sharply than in the United States.

**As we have learned over the past 16 months during the pandemic,** the Postal Service is an essential public service. Supplementing postage revenues with taxpayer appropriations could certainly be justified—indeed, for much of its 246-year history, the Post Office received such appropriations. And even with its creation of the public enterprise model, the PRA authorized a "public service subsidy" set at 10 percent of costs (which Congress phased out in the 1980s). But we do not necessarily need to return to taxpayer subsidies.

If we combine timely public policy changes in the near term with creative policy and service/product innovations over the longer term, the Postal Service's current model can continue to work. The near-term changes include enacting H.R. 3076, the bipartisan Postal Reform Act of 2021, administratively implementing a fair allocation of Civil Service Retirement System pension obligations between the Postal Service and the federal government (under consideration by the White House), and public investment in electrifying the Postal Service's vehicle fleet, as proposed in President Biden's national infrastructure plan. The longer-term policy and service innovations include legislation to improve the way we invest the \$330 billion in retirement assets set aside for postal annuitants (now restricted to low-yielding Treasury bonds) and authorization to use the Postal Service's universal networks to meet unmet public needs, including financial services for people not served by banks, identification of verification services, public health assistance, and the delivery of state, local and federal government services.

As we mark this important USPS milestone, let us look ahead just four short years to when we will celebrate the 250th anniversary of the U.S. Post Office. And let us dedicate ourselves to using the period between these two important celebrations to do all we can to preserve and protect this invaluable institution for the American people.