



May 21, 2008

Good afternoon. I appreciate the invitation to be with you all, here in Flagstaff today, and to offer what I hope may be food for thought – and more – regarding the present re-consideration of the notions of Universal Service, the Universal Service *Obligation*, and the Postal Monopoly, and to join in on the discussion of these important topics.

I am here as the owner and publisher of The Flute Network. We are a small entirely volunteer entity now closing in on the end of our 24th year of service as a “bulletin board service” for flutists, flute teachers, *and* the people who love these kinds of folks. In addition to a website presence (which has become absolutely requisite in recent years for businesses of all kinds), we continue to organize and publish an adletter of typically 8 – 12 pages, which goes out free of charge 9 times a year, now to some 6,100 different subscribers nationwide.

It is on behalf of our subscribers, and all those whom we serve by including their notices, that we’ve been tracking the flow of Flute Network mailings over the years. As with most such things, the timely receipt of our mailings is a large part of what keeps them valuable – for example, it does no good to learn of a concert or other event that one might have wanted to attend, two weeks after it happened. What is frustrating is when this kind of thing happens and those notices had actually been mailed three weeks *before* those events, and by the Post Office’s own standards should have been received by all in plenty of time. The very large “disconnect” between USPS standards and actual experience continues to be an issue, but with the good information we have about actual experience voluntarily provided to us by our wonderful subscribers¹ – at this point, we’ve learned how to deal with it.

Let me tell you a little about how The Flute Network came to be and why we operate as we do. Back in the early 1980’s, I was married to a man who was a flutist and a gifted flute repairman. Being the struggling graduate students we both were at the time, *that* income was important to us – but we also welcomed the social aspect of connecting with others from all across the country who shared his passion for all things “flute”. What we didn’t expect to find was that – because of his talented work – we’d also become something of a hub for flute-related news. Announcements of events, news of opportunities such as scholarships and jobs, flutes that had wonderful pedigrees coming up for sale – flutes of more pedestrian value but which had been loved by good people who now needed for them to have new homes – all of that kind of thing flowed informally through our little living room, right there in the married housing apartment in Spartan Village at Michigan State University. Usually either he or I would get on the phone and call anybody we knew who we thought would like to know, and pass the word along. For being broke graduate students, we had really high phone bills just about every month, but it was something we felt was important to do.

¹ To get a better feel for the actual flow of Flute Networks in the mails, we enlisted the help of our subscribers in 2006, 2007, and 2008 – we asked them to tell us the date of receipt and their zip code – for each of their February and March issues. The findings and data from 2006 (along with the documented experiences of a dozen or so other similar mailers) was shared publicly in Flute Network’s Testimony before the PRC in the 2006 Rate Case; the 2007 data was organized and shared with the participants of the MTAC Workgroup #114 last May; and all of that is currently available to the public online through Flute Network’s website. Although analysis of the 2008 data is incomplete, we do have information to share from that effort which is relevant to the questions at hand and will be included later in this paper. It will also be added to the website in total, once analysis is complete.

Now, also around that time, we'd been hearing about two men who – as individuals – traveled up and down the east coast, buying and selling instruments with the folks in that town, then moving on to the next one. Although I don't think they were related in any way, they operated in a very similar manner. Many friends and former customers told us about how this worked – an ad in the local newspaper would read something to the effect of “now in town – buying instruments – limited time only, call _____”. On the one hand, this seemed like a good thing for a family wanting to sell off something rather easily – the only options at the time outside of an ad in the local paper or connections through the local flute teacher were either (1) having a friend or relative who was a Musicians Union member place an ad for them in the Union Paper which circulated nationwide, or (2) join the National Flute Association and place an ad in their journal which came out four times a year. SO – these two guys had some good pickin's. However – to my way of thinking, they were quite a bit less than ethical. It was just after the third time that I'd heard, from a former customer of my then-husband, about how they'd sold their very fine instrument to one of these dudes before letting us know they were wanting to sell (so that we might help them get what it was truly worth) and ended up after the fact finding that they'd been seriously ripped off. In each instance, they were told with presumed authority that “it's a really OLD flute, and it's got a *funny* French name, and it's not going to sell very well because of that – BUT you're a nice kid and I like you, so I'll give you \$600 for it”... and needing the money, they took it. These fellows would then turn around and soon offer these same instruments for sale again for the \$3,000 they were actually worth in the first place. And that made me mad.

So between getting our third \$300 phone bill in a row, and hearing of the third incident of these East Coast bandits ripping off yet another friend, I felt there had to be a better way.. There was clearly a need for people to get word out about things – like events and opportunities, instruments for sale, etc. – easily, efficiently, and economically. A borrowed address list from a friend who published Flute Choir music got us started. I'd had some graphic arts experience by then, and had found a local printer who'd help with the mailings – and Flute Network, the print edition, was begun. In the first year, our phone bills did go down – slightly, and those two guys were indeed put out of business. What I *didn't* expect (and continue to be surprised by) is the fact that now, some 24 years later – even given the options available on the internet -- that the demand and the support for this printed and mailed service would continue as it has. I do know that there is absolutely no doubt: the Flute Network could not exist without the Universal Service of the USPS – in fact, I think most businesses would agree that Universal Service is absolutely vital to them as well.²

The Flute Network was founded on – and continues to be driven by – a strong conviction that people ought to treat each other fairly, that knowledge is indeed power, and that everybody deserves a chance for the benefits that can come from having ready access to good, reliable, information and a means to share it. The Flute Network experience is an example of what conviction driven philosophy can look like when it takes on tangible form and those related dimension of dollars and cents accountability.

I am here today to suggest to you that the topics under consideration – Universal Service (with or without the Obligation part), and the Postal Monopoly Laws – are *also* deeply philosophical and value laden, even as they have overwhelming importance when it comes to balance sheets, dollars and cents, and the pressures of those who seek to influence the national policies related to them. It's going to take courage and no small degree of spine to play in these realms, and I commend the PRC for taking it on (even if the task was instigated by language in the PAEA).

² This is not to say at this point that it HAS to be the USPS that provides Universal Service – while it makes sense that this obligation should stay with them given that the infrastructure is there and especially for those less desirable routes, it is conceivable to me that another entity could take on that Universal Service Obligation. My only concern is that it be – literally – all inclusive, effective, as efficient as possible, and user friendly.

The one most important part that I would like to give voice to today is to encourage the PRC to please – to the best of your ability – take the *long* view on these questions, as they are indeed of historical magnitude. Drawing upon some of the lessons available to us in hindsight from episodes in the history of the US Postal Service, perhaps some of the same kinds of mistakes can be avoided as we move forward with this adventure. While it’s next to impossible to know with any certainty just exactly what the future is going to hold, the choices and decisions being made now on these rather fundamental issues will have a lot to do with the kind of future we’re going to have, as well as the options available to us all along the way. So - as we look forward to the continued evolution of our Postal Services, in your deliberations, please be cognizant and intuitive as to (1) how the positions you ultimately take on these questions *and* the decisions that come from them, will (2) lead directly to the formal policies, which (3) will have tangible outcomes and logical consequences both up and down the line in the mailing industry and postal realms as well as the ancillary services related to them, and likely for decades to come.

You have asked us for comments on just what principles and convictions should guide these decisions. As you look through the lists you will be compiling, I urge you to focus on the ones that rise to the surface as the most “timeless” and fundamentally confirmative in nature. Specifics may vary depending on a variety of factors, prejudices, biases and other personality quirks – so you should look for those which will be the most enduring and solid relative to the tests that are likely to be held against them as we look to an unknowable future.

It’s going to be especially challenging to keep the “big picture” in mind and I don’t envy you your task. No less than a dozen times just in the preparation of these materials I thought I had it all figured out – then a new idea would present itself, and a fair consideration of *it* in the context of all the rest would take me right back to square one! All I know is that in the past – for Flute Network at least – when confronted with similar challenges, I found that without fail, the best way forward was always in line with the firm conviction and solid principles about *choosing* to do whatever was the “right thing to do” – even if at the time it possibly wasn’t what I particularly *wanted* to do - even if I was *pretty sure* that on the face of it, what was being asked was totally impossible – even if I couldn’t see my way forward, if it passed this test of “is it the right thing to do”, then a clear way forward always made itself known sooner or later. It’s a phenomenon I can’t begin to explain - but it has happened too many times for me not to respect it! What that means in this context is – I would encourage you to consider the reasons why someone would recommend moving *AWAY* from a given model as much as they are trying to convince you to move *TOWARDS* the other one... and listen for the deep subtle indications of what is “the right thing to do”.

As I see it, there are a number of matters related to the potential future of the whole issue of mailing that may - (or may not) - influence the direction you decide to go in re-visioning the future scope of responsibility and the practical handling of Universal Service and Postal Monopoly. I think that what I can legitimately offer you has less to do with rules, regulations, and business models and is more something along the lines of “the view from the little guy out here” and “the potential mailer” ... Essentially, then, I will be talking from an “outside-looking-in” point of view.

1) People will probably always need to mail things – but is the US Postal Service the best way to do it?

I would wager that the average mailing person “out here” has pretty simple demands of the mails – we just want our mail, we want it fast, and we want it cheap. The casual business or commercial entity, when thinking of doing mailings, wants it delivered to all the people they want it to go to, accurately, on time, and cheap. There is a practical, fundamental, and guiding element to the decisions

and choices being made by both of those categories of mailers, though - as in: "I'll go with whom ever will meet those criteria when I'm ready to mail, and whom ever can provide it for me *now*, easily - and cheap!"

When it comes to communications today, it almost goes without saying that most of us have more choices available today than we ever had. None of them are perfect. Every company, every evolving entity has its problems and there are always growing pains no matter how long something has been in existence - such is the nature of dynamic mechanisms, and the US Postal Service is no exception. No one would argue there aren't some serious problems, as well as sometimes very serious holes in service... and the same is true for nearly every other communications medium being used today.³

Now, we have a rather eclectic history in this country of ours, of turning a perceived need or empty hole in the pattern of our lives into a stimulus for a new business or service designed precisely to be the perfect answer to that "hole" or need. If it all goes right, this hopefully results also in a nice profit for the person or entity doing it - heck, that's considered by many to be "the American way". Part of the responsibility of successfully navigating these challenges/opportunities, though, is managing the equally dynamic tensions that ride along with all such efforts - and these areas are again where a clear set of core convictions and principles can be particularly useful in keeping these efforts on track. For example, *which* gets the greater emphasis and what are the costs involved of choosing one of these over the other : capitalist success/profit vs. the broader public good vs. the localized human cost of "doing *all that, in that way*"?And then, what unintended consequences have arisen or are arising as we progress along the lines we've chosen to go, with this or that new effort?! This ongoing and ever changing quandary will no doubt apply to all attempts to "improve" mail delivery and/or to take on the holes in it, as well⁴.

In terms of the questions before us today - when it comes to revising the one aspect of Universal Service that has to do delivery to people everywhere, regularly, and at a reasonable and consistent rate - there is peril in the question of: "*precisely WHO would we choose to leave out*" - were we to move away from that portion of the Universal Service provision. On the face of it, the potential of cutting back on service areas for mail delivery raises people's fears exponentially and heighten emotions because it's a threat that tends to be taken personally - the idea being, "if *somebody* can get left out, it just might be ME - or maybe somebody I really need to send stuff to (like family) - and that's not good!" Even were other delivery options ready to fill the gap, unless their costs were substantially less and their service substantially better (a combination which people would willingly gravitate towards) - the political consequences for the politicians in those areas would likely be swift and stern. Though I have not had the opportunity to research it, my sense of it is that losing Postal Service in the home area is not generally conducive to one's re-election, especially when we're now in our second consecutive year in a series of annual postage rate increases, but here we are talking about cutting *back*

³ For a particularly scathing appraisal of the plight of mailers and the perils of the US Postal System, see the Policy Analysis by James Bovard of the Cato Institute - Cato Policy Analysis No. 47, Policy Analysis - February 12, 1985. "The Last Dinosaur: The U.S. Postal Service", by James Bovard. Online: <http://www.cato.org/pubs/pas/pa047.html> While the arguments against raising the price of a first class stamp to 22 cents are now well outdated, the other issues discussed in his article remain worthy of consideration as - from the stories I've heard - Bovard's words do reflect the very real experiences of many mailers.

⁴For illustrative purposes - consider the massive ongoing issues with Wal-Mart. Yes - they do offer "low" prices but there is much discussion now among the general public of the hidden costs and risks which support those low prices. As a sampling, there are myriad of concerns in recent days with the sourcing of products sold as coming from China given their labor laws, the poor quality and potentially contaminated materials used and other manufacturing issues; the questions of where stores are located and what happens to communities when Wal-Marts are built - both the good and the bad; what happens to the vacated stores when new Wal-Mart Super Centers are built in the same town; their rules for how labor internal to the running the stores is managed - and then there's the very controversial and poorly understood issue of just how much these workers end up being effectively required by lack of health plan coverage to rely on public services and our general tax dollars for their care while the company "rakes in millions" - as a former worker who is a friend has told me in many personal conversations.

on services⁵... So - again, we have another case where fundamental values, beliefs and convictions about big issues can help, such as having grappled with: “just what kind of world do we want to live in, and for our children and grand children to live in” – and related to that, more directly: “what kind of Postal Service would best serve the interests of our nation”⁶ ? After all – it’s going to be our children and grand children who will have to take on the consequences (intended and unintended) of what we chose today.

2) There’s another extension of this question of how to keep the Postal Service functioning – do the next generations even want one?

In recent years, we have seen innovations such as the internet, email, and online bill paying begin to defray the numbers in the letter mail categories and there has been much hand wringing over all that. No doubt, the decline in revenue has impacted the USPS and will continue to do so for some time. But I draw your attention to the crop of kids coming along behind this current batch – the ones who are now in junior high, high school, and their early college years... These kids, according to University administrators I’ve talked with all across the country as well as a few from overseas – SIMPLY WILL NOT DO email – nor do they tend to read the emails they receive. Generally speaking - these kids just don’t tend to live on their computers quite as much as the batch who are now in young and middle adulthood. If you want to get a message through to these kids, you have to “text it” because they are always on their phones. Surely you’ve seen it too - they’re LOL’ing, and BRB’ing, and PROS’ing – and CU’ing all the time! These kids have been called by some as the “Burger King” generation; as in, they want it “*their way*” – they *want* what they want tailored just for *them*, they want it big and colorful and flashy, and they *don’t* want to have to look for *or* have to wait for what they want, anywhere along the line ...they want what they want handed to them.... and the new phenomena of “push technology” is rising up fast and furious these days to give it to them⁷.

So – looking a bit even farther ahead then, as I think we need to now, the question really becomes: “how do we make the Postal Service relevant to a people who won’t even use whole words to communicate?” Oddly enough – there is hope, I think, for the postal service here because these kids also still very much like receiving mail... they do tend to love getting catalogs... and they still like to get mail addressed to them, (especially if it might have a check in it)... So there is that potential hook for future generations when it comes to the place of a mail delivery system remaining relevant to the lives of the general public as these kids grow up, and we can reasonably expect that - generically speaking - people will probably “like” getting mail for some time to come. Certainly, this is good news for businesses who will wish to continue reaching folks through the mail system⁸.

⁵ A neighbor of mine used to live in Arrowbear Lake, CA. She tells me that people living in their little mountain community could ONLY receive mail if they rented a mailbox in the contracted Post Office there in town. After a time, that contract PO was closed and they had to rent boxes instead in the next town of Running Springs. None of her neighbors was pleased with this set up and for some it represented a real hardship, and despite many attempts - nobody was ever able to get answers as to why house delivery was not or could not be provided. My neighbor told me that they generally concluded that their lack of service, and lack of response from the Postal Service, were due entirely to the lack of a Congress person or other legislator to advocate for them.

⁶ See “The Dysfunctional Behavior of Mailers”, by Murray B. Comarow, National Academy of Public Administration, August 2007. This particular question of his is highlighted and discussed on page 8.

⁷ For more on push technology – here’s a place to start: “New Wireless Push Technology Library Opens”, by Michael Singer, of siliconvalley.internet.com – dated May 28, 2002 – url: <http://siliconvalley.internet.com/news/article.php/1145651> - the article itself may not appear at the top of the page, so do scan down to find it.

⁸ In the Remarks of Postmaster General/CEO John E. Potter at the National Postal Forum in Washington, DC on March 26, 2007, he referenced working with comScore Networks “to look at the relationship between Direct Mail and online shopping behavior: Here’s what they found: more than 8 out of 10 people said it was easier to shop online after receiving a catalog; online shoppers who received a Direct Mail piece were almost twice as likely to buy as those who only received Internet advertising; if that Direct Mail piece was a catalog, the results were even better; and people who received Direct Mail bought one-and-a-half times more merchandise on retailers’ web sites than those who were contacted only through the Internet.” – page 5 of the transcript. Url of transcript:

From a nationally based, governmental point of view, too, this is probably perceived as a very good trend because it's common-sensical that having a way to reach everybody through the mail system is vital to maintaining any sense of national identity. While certainly the USPS will continue in some capacity, the feel from "out here" is that it's kind of maybe lost its way in recent years... but I'm not so sure that that alone should be reason enough to take away the Universal Service obligation. I think that maybe they've just not been sufficiently motivated to improve their core services – yet. While the non-postal services such as help with Passports do serve the country and also, I suspect, bring in some funding, I'd sure love to see them attend to the mail handling and improve delivery because that core function does have so much importance. From the face of it, Title 39, US Code, 101(a) - seems as relevant now as it was in 1970⁹:

The Postal Service shall have as its basic function the obligation to provide postal services to bind the Nation together through the personal, educational, literary, and business correspondence of the people. It shall provide prompt, reliable, and efficient services to patrons in all areas and shall render postal services to all communities.

There was an added dimension to the potential importance of this kind of opportunity for the American public to come together via the USPS, recently, when the idea of allowing people to "Vote by Mail" was floated as a means of assisting with the Democratic Party presidential nominations in Florida and Michigan (though admittedly - the odds for the potential of this opportunity actually being fully realized are yet to be seen, as this particular attempt was rather quickly shot down even as it was widely floated).¹⁰ The idea that the US Postal Service would handle such a thing was a source of consternation for some folks, even as it was a reassurance to others I talked with. It was the perceptions that folks had about the USPS – the quality of service they had experienced with other mails – and the way they had been treated as postal service customers that largely dictated whether they had faith in the USPS to carry their vote responsibly or not. There is nothing wrong with staying with what's in US Code and with the USPS as the designated provider, it seems to me, if it's the right thing to do. Especially when there's the potential of Vote By Mail, maintaining precedent and tradition for who's handling it could be valuable... but it's also fair to say that there's an image problem involved here too which might be clouding the picture.

3) Other pertinent information and worthy lessons available to us from reports of U.S. Postal Service History.

(1) In a paper by Charles Kenny – in a World Bank Policy Research Working Paper 3627, June 2005, "Reforming the Posts: Abandoning the Monopoly-Supported Postal Universal Service Obligation in Developing Countries" - he credits J. Campbell's

http://www.usps.com/communications/newsroom/2007/pr07_pmgnpf0326.htm -- I have not yet found anything of the study he mentioned.

⁹ According to an unsigned Time Magazine article – "Postal Increases: Publish and/or Perish" – dated Monday, Jun. 19, 1972, there is precedent for this notion in the words of George Washington: "Two centuries ago, George Washington addressed himself to the critical subject of public information. Citizens, he said, were "on a pivot, and the touch of a feather would turn them away ... Let us bind these people to us with a chain that can never be broken." The chain was the Post Office, providing intelligence to the most remote outposts." Url: <http://www.time.com/time/magazine/article/0,9171,877766,00.html>

¹⁰ Theoretically at least, and in principle, this potential alone would seem a reason to support the Universal Service notion remaining with the USPS – and very much enhances the "obligation" part of it, because of the added value such an opportunity could provide both the citizens and their government.

presentation on the “History of Universal Service in the United States”, before the 12th Conference on Postal Economics, June 2 – 5, 2004, in Cork, Ireland for the following: first he points out on his Page 6 that “...**the United States only mandated universal home delivery in 1958, when letter volumes were above 300 per person per year...**”. And in a footnote on his Page 8, he says: “**The United States only introduced one-price delivery in 1885** (Campbell, 2004). **It is worth noting that in both the United Kingdom and the United States, the postal monopoly far pre-dates one-price delivery and universal service obligations, suggesting that the justificatory link between the three developed ex-post.**” (I’ve not yet succeeded in finding a transcript of Campbell’s presentation so I have not yet validated these statements nor do I know the context in which he (or she) originally made them – they are included here in case they are deemed as useful as I think they might be in the current project before the PRC, and so that someone might then be better able to pick up in chasing them where I am having to leave off .)

(2) It is said that history unexamined has a way of repeating itself. In approaching the questions of such major potential redefinitions, I felt it imperative to quickly gain a handle on “how we got here in the first place”. Due to circumstances beyond my control, however, the only resources available to me for a quick overview of US Postal History turned out to be online through Wikipedia and About.com – certainly not the kind of thing one would want to rely on for hard fact, but what jumped out at me from doing this review, it turned out, had to do with something entirely different.¹¹ The process I used was to go through and follow the embedded links to piece together the broader picture – I’ve saved those snippets and compiled them in an attachment to this document for your convenience (seemed only fair...)

As titled by Wikipedia, the section I wish us to focus on is “Air Mail Scandal”. I’ve replicated the most important parts for our purposes here, however the embedded credits, citations and occasional illustration have been left out in this telling. The internal links remain underscored, as per Wikipedia formatting. Words that appear between brackets (as in: [words]) are my own comments or insertions that are designed to ease the narrative flow. I’ll get to the morals of the story, as I see them, at the end of this telling.

[Quote]

The Air Mail Act of 1930

President [Herbert Hoover](#) appointed [Walter F.] Brown as his postmaster general in [1929](#). In [1930](#), Brown, citing inefficient and expensive air mail delivery, requested legislation from [Congress](#) granting him authority to change postal policy. The Air Mail Act of 1930, passed on [April 29](#) and known as the McNary-Watres Act after its chief sponsors, Sen. [Charles L. McNary](#) of [Oregon](#) and Rep. [Laurence H. Watres](#) of [Pennsylvania](#), authorized the postmaster general to enter into longer-term airmail contracts with rates based on space or volume, rather than weight. The Act gave Brown strong authority (some argued almost dictatorial powers) over the nationwide air transportation system.

The main provision of the Air Mail Act changed the manner in which payments were calculated. Air mail carriers would be paid for having sufficient cargo capacity on their planes, whether the planes carried mail or flew empty, a disincentive to carry mail since the carrier received a set fee for a plane of a certain size whether or not it carried mail. The purpose of the provision was to discourage the carrying of bulk [junk mail](#) to boost profits, particularly by the smaller and inefficient carriers, and to encourage the carrying of passengers. Airlines using larger planes designed to carry passengers would increase their revenues by carrying more passengers and less mail. Awards would be made to the “lowest responsible bidder” that had owned an airline operated on a daily schedule of at least 250 miles (402 kilometers) for at least six months.

¹¹ The Invitation to Testify here in Flagstaff came literally on top of active preparations to leave town for a long planned family holiday on the coast of Oregon – and the day and time of the PRC Hearing was to be literally 22 hours after our plane was to land on our return. I regret any limitations in my research that resulted from this crunch in time.

A second provision allowed any airmail carrier with an existing contract of at least two years standing to exchange its contract for a "route certificate" giving it the right to haul mail for 10 additional years. The third and most controversial provision gave Brown authority to "extend or consolidate" routes in effect according to his own judgment.

Less than two weeks after its passage, at the Spoils Conference, Brown invoked his authority under the third provision to consolidate the air mail routes to only three companies, forcing out their competitors. These three carriers later evolved into [United Airlines](#) (the northern airmail route), [TWA](#) (Transcontinental and Western Air, which had the mid-United States route) and [American Airlines](#) (American Airways, the southern route). Brown also extended the southern route to the [West Coast](#). He awarded bonuses for carrying more passengers and purchasing multi-engined aircraft equipped with radios and navigation aids.

Congressional investigation

In September 1933, after a complaint was made to the Senate Committee on Ocean Mail and Air Mail, its chairman, [Alabama](#) Senator [Hugo Black](#), agreed to establish a special Senate committee to investigate alleged improprieties and gaming of the rate structure, such as carriers padlocking individual pieces of mail to increase weight. Despite showings that Brown's administration of the air mail had increased the efficiency of the service and lowered its costs from \$1.10 to \$0.54 per mile, and the obvious partisan politics involved in investigating what appeared to be a [Republican](#) scandal by a [Democratic](#)-controlled committee, the hearings raised serious questions regarding its legality and ethics.

Black announced that he had found evidence of "fraud and collusion" between the Hoover Administration and the airlines and held public hearings in January 1934.[these would be called the Spoils Conference]

[Insert – background on this point, from earlier in this same Wikipedia article:

William P. MacCracken, Jr. [had become] the first federal regulator of commercial aviation when President Herbert Hoover named him the first Assistant Secretary of Commerce for Aeronautics in 1926... . After helping to draft key safety standards and regulations that became part of the 1930 Air Mail Act, MacCracken returned to his private law practice, where he continued to be involved in the growth of commercial aviation by representing many major airlines. For that reason Postmaster General Walter F. Brown asked him to preside over what was later scandalized as the *Spoils Conference*, to work out an agreement between the carriers and the Post office to consolidate air mail routes into transcontinental networks operated by the best-equipped and financially stable companies. This relationship left both exposed to charges of favoritism. When MacCracken was called to testify, he refused to appear and allowed his clients to recover documents from his firm's files. The Senate judged him a [lobbyist](#) , and voted to find him in [Contempt of Congress](#). [There is a slight edit here, in this last sentence, to assist comprehension and provide continuity without altering the meaning of the original contributor]

[/end insert]

On [February 7](#), 1934, Roosevelt's postmaster general, [James A. Farley](#), announced that he and President Roosevelt were committed to protecting the public interest and that as a result of the investigation, President Roosevelt had ordered the cancellation of all domestic air mail contracts. However not stated to the public was that the decision had overridden Farley's recommendation that it be delayed until June 1, by which time new bids could have been received and processed for continued civilian mail transport.

Role of the U.S. Army Air Corps

Executive Order 6591

At the time of the scandal, the Air Corps was in the midst of lobbying for a more centralized control of air operations in the form of an establishment of a General Headquarters (GHQ), Air Force. At a cabinet meeting on the morning of [February 9, 1934](#), [Secretary of War George H. Dern](#) assured President Roosevelt that the Air Corps could deliver the mail without consulting either Army Chief of Staff [Douglas MacArthur](#) or Chief of the Air Corps Maj. Gen. [Benjamin D.Foulois](#). Shortly after the cabinet meeting that same morning, second assistant postmaster general Harlee Branch called Foulois to his office. A conference between members of the Air Corps, the Post Office, and the Aeronautics Branch of the Commerce Department ensued in which Foulois, asked if the Air Corps could deliver the mail in winter, casually assured Branch that the Air Corps could be ready in a week or ten days.

At 4 o'clock that afternoon President Roosevelt suspended the airmail contracts effective at midnight [February 19](#). He issued [Executive Order](#) 6591 ordering the [War Department](#) to place at the disposal of the Postmaster General "such air airplanes, landing fields, pilots and other employees and equipment of the Army of the United States needed or required for the transportation of mail during the present emergency, by air over routes and schedules prescribed by the Postmaster General."

Preparation and plans

In 1933 the airlines had carried several million pounds of mail on 26 routes covering almost 25,000 miles of airways. Transported mostly by night, the mail had been carried in modern passenger planes equipped with modern flight instruments and radios, using ground-based beam transmitters as navigation aids. The airlines also had a well-established system of maintenance facilities along their routes. Initial plans were made for coverage of 18 mail routes totaling nearly 12,000 miles; and 62 flights daily, 38 by night.

On [February 14](#), five days before the Air Corps was to begin, [General Foulois](#) appeared before the [House of Representatives Post Office Committee](#) outlining the steps taken by the Air Corps in preparation. In his testimony he assured the committee that the Air Corps had selected its most experienced pilots and that it had the requisite experience at flying at night and in bad weather.

In actuality, of the 262 pilots selected, more than half were Reserve junior officers with less than two years flying experience. The Air Corps had made a decision not to draw from its training schools, where most of its experienced pilots were assigned. Only 48 of those selected had logged at least 25 hours of flight time in bad weather, only 31 had 50 hours or more of night flying, and only 2 had 50 hours of [instrument time](#).

The Air Corps during the Great Depression, hampered by pay cuts and a reduction of flight time, operated almost entirely in daylight and good weather. Duty hours were limited and relaxed, usually with four hours or less of flight operations a day, and none on weekends. Experience levels were also limited by obsolete aircraft, most of them single-engine and open cockpit planes. Because of a high turnover-rate policy in the War Department, most pilots were Reserve officers unfamiliar with the civilian airmail routes.

Regarding equipment, the Air Corps had in its inventory only 274 [Directional gyros](#) and 460 [Artificial horizons](#), and very few of these were mounted in aircraft. It possessed 172 radio transceivers, almost all with a range of 30 miles or less. Foulois ordered the available equipment to be installed in the 122 aircraft assigned to the task, but the instruments were not readily available and Air Corps mechanics unfamiliar with the equipment sometimes installed them incorrectly.

The project, termed AACMO (Army Air Corps Mail Operation), was placed under the supervision of Brig.Gen. [Oscar Westover](#), assistant chief of the Air Corps. He created three geographic zones and appointed Lt.Col. [Henry H. Arnold](#) to command the Western Zone, Lt.Col. [Horace Meek Hickam](#) the Central Zone, and Maj. [Byron O. Jones](#) the Eastern Zone. Personnel and planes were immediately deployed, but problems began immediately with a lack of proper facilities (and in some instances, no facilities at all) for maintenance of aircraft and quartering of enlisted men, and a failure of tools to arrive where needed.

Sixty Air Corps pilots took oaths as postal employees in preparation for the service and began training. On February 16, three pilots on familiarization flights -- Lts. Jean D. Grenier, Edwin D. White, and James Eastman -- were killed in crashes attributed to bad weather. This presaged some of the worst and most persistent late winter weather in history.

Flying the mail

Blizzard conditions

A [blizzard](#) disrupted the initial day's operations east of the [Rocky Mountains](#), where the first flight from [Newark, New Jersey](#), was cancelled. The first flight of the operation left from [Kansas City, Missouri](#), carrying 39 pounds of mail to [St. Louis](#). Snow, rain, fog, and turbulent winds hampered flying operations for the remainder of the month over much of the United States.

In the Western Zone, Arnold established his headquarters in [Salt Lake City](#). In the winter of 1932-1933 he and many of his pilots had gained winter flying experience flying food-drop missions to aid [Indian reservation](#) settlements

throughout the American Southwest isolated by blizzards. As a result of this experience and direct supervision, Arnold's zone was the only one in which a pilot was not killed.

The Western Zone's first flights were made using 18 [Boeing P-12](#) fighters, but these could carry a maximum of only 50 pounds of mail each, and even that amount made them tail-heavy. After one week they were replaced by [O-38](#) and [O-25C](#) observation biplanes borrowed from the [National Guard](#). In both the Western and Eastern zones these became the aircraft of choice, modified to carry 160 pounds of mail in their rear cockpits. Better-suited planes such as the new [YB-10](#) bomber and [A-12](#) attack aircraft were in insufficient numbers to be of practical use. Two YB-10s crashlanded when pilots unfamiliar with retractable landing gear forgot to lower it, and there were only enough A-12s for a partial squadron in the Central Zone.

On [February 22](#), 1934 two fatal crashes occurred in Texas and Ohio, and a near-fatal crash in Virginia. The next day a forced landing in the Atlantic Ocean resulted in a drowning. President Roosevelt, publicly embarrassed, ordered a meeting with Foulois that resulted in a reduction of routes and schedules (which were already only 60% of that flown by the airlines), and strict flight safety rules.

On [March 8](#) and [9](#), 1934, four more pilots died in crashes, totaling ten fatalities in less than one million miles of flying the mail. (Ironically, the crash of an American Airlines airliner on March 9, killing four, went virtually unnoticed in the press.) World War I Air Service legend [Eddie Rickenbacker](#) was quoted as calling the program "legalized murder," which became a [catch-phrase](#) for criticism of the Roosevelt Administration's handling of the crisis. Aviation icon [Charles A. Lindbergh](#), a former air mail pilot himself, stated that using the Air Corps to carry mail was "unwarranted and contrary to American principles." Even though both had close ties to the airline industry, their criticisms seriously stung the Roosevelt Administration.

On [March 10](#) President Roosevelt called Foulois and [Army Chief of Staff](#) General [Douglas MacArthur](#) to the [White House](#), asking them to fly only in completely safe conditions. Foulois replied that to ensure complete safety the Air Corps would have to end the flights, and Roosevelt suspended airmail service on [March 11](#), 1934.

Foulois wrote in his autobiography that he and MacArthur incurred "the worst tongue-lashing I ever received in all my military service". Norman E. Borden, in *Air Mail Emergency of 1934*, wrote: "To lessen the attacks on Roosevelt and Farley, Democratic leaders in both houses of Congress and Post Office officials placed the blame for all that had gone wrong on the shoulders of Foulois."

The Army resumed the program again on [March 19](#), 1934, with limited schedules, in better weather, and after putting its pilots through a hastily-created course in instrument flying. It continued the service through [May 8](#), 1934, when temporary contracts with private carriers were put into effect. Two additional Army pilots were killed before AACMO's last flight on [June 6](#), 1934.

Results

In all, 12 pilots had been killed in 66 accidents, resulting in an intense public furor. Because of the air mail operation, crash deaths suffered by the Air Corps in 1934 rose by 15% to 54 accidental deaths, compared to 46 in 1933 and 47 in 1935.

In 78 days of operations and over 13,000 hours of logged flight time, completing 65.8 percent of their scheduled flights, the Army Air Corps had moved 777,389 pounds of mail over 1,590,155 miles.

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Consequences and affects

Effects on the airline industry

The government had little choice but to return service to the commercial airlines, but did so with several punitive conditions. The Air Mail Act of [June 12](#), 1934, drafted by Senator Black, closely regulated the air mail business, dissolved the holding companies that brought together airlines and aircraft manufacturers, and prevented companies that held the old contracts from getting new ones. (The industry's response to the last item was simply to change names; for instance Northwest Airways became [Northwest Airlines](#).) With bidding for contracts more competitive and air mail

revenue less attractive than before, the airlines placed a new emphasis on passenger transportation and development of modern airliners.

The most punitive measure was to ban all former airline executives from further contracts. [United Airlines'](#) president, [Philip G. Johnson](#), for instance, chose to leave the United States and helped to form [Trans-Canada Airlines](#). The effect of the entire scandal was to guarantee that mail-carrying contracts remained unprofitable, and pushed the entire industry towards carrying passengers.

Several airlines sued the government for revenues missed while the Air Corps flew the mail. The last claim was settled in 1942. In 1941 the [United States Court of Claims](#) found that there had not been any fraud or collusion in the awarding of contracts pursuant to the Air Mail Act of 1930.

Changes in the Air Corps

The immediate results of the operation were disastrous for the image of the Air Corps. [Speaker of the House Henry T. Rainey](#), echoing comments made by Gen. [Billy Mitchell](#), criticized: “If we are unfortunate enough to be drawn into another war, the Air Corps wouldn’t amount to much. If it is not equal to carrying the mail, I would like to know what it would do in carrying bombs.” ([Congressional Record, 73rd Congress, 2nd Session, Vol. 78, Pt. 3, 3144-3145.](#))

For the Air Corps, despite its public humiliation, the Air Mail Fiasco resulted in a number of improvements.

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Within the Air Corps itself, instrument training was upgraded, radio communications were greatly improved into a nationwide system that included [navigation aids](#), and budget [appropriations](#) were increased. The Air Corps acquired the first six [Link Trainer](#) flight simulators of a fleet that would ultimately number more than 10,000.

Finally, the president appointed [Clark Howell](#), newspaper editor of the [Atlanta Constitution](#), to chair a five-person committee to investigate U.S. aviation that resulted in the creation of the [Federal Aviation Commission](#).

[End Quote.] (Wikipedia, “Air Mail Scandal”, 5/16/08)

What I see in this story of an episode in US Postal Mail history is a very strong cautionary tale about the intended *and unintended* consequences of decisions made by very powerful individuals in very high places of the government about how the mails would be flown which were perhaps based far more on pure hope and faith (and also possibly pride) than any practical knowledge or accurate understanding of the existing and potential capabilities and needs of those who would have to contend with making those decisions a reality. Essentially, the “command from above” set up a chain of events and dealings that proved disastrous to many involved, and ultimately embarrassing to the President and others.

Even as recently as last week, I have heard from a variety of first hand sources that there is fallout from what appear to be very similar patterns in the chains of command happening even now. For example, the USPS is not the first industry to find that the decision to “just make the machines run faster” is actually counter productive. For another - despite USPS total confidence that they could indeed meet the delivery performance standards as they were when we were willing to give them more time in the MTAC #114 Workgroup is another example – as it happens, the disconnect between USPS delivery promises and performance standards which Flute Network highlighted in our 2006 Rate Case Testimony remains largely unchanged today, as evidenced in our 2008 data¹². For another - I

¹² Regarding Flute Networks 2008 Zip Code Study: For Flute Network’s February 2008 issue – we heard from 331 subscribers, 89 had received their copies on Day 10 or before, most of the balance of them had received their issues 11 – 19, and the last reported day of receipt was 42 days out. The March 2008 issue was reported on by 290 subscribers – 88 had received their copies on Day 10 or

understand from a number of other mailers that issues involved with the looming requirement for an Intelligent Mail Barcodes are not being well anticipated nor resolved smoothly (for example, the issue of getting the letter shops with whom many mailers have been contracting for doing their mailings fully up to speed in time for the pending requirements is an issue of great concern, as in many cases – for one thing – specialized printers are needing to be secured and those come at no small expense to the letter shop). And there are questions about Seamless Acceptance that had been thought to have been worked out, but recently were suddenly found to be unsettled or even reversed (such as the issue of scanning of pallets as the “start the clock” trigger, and the logic and strong appeal to mailers of keying those starting scans to USPS receipt of payment for those mailings being dismissed, if not totally ignored) – all apparently, as I was told, with no explanation or discussion. If this is a case of the right hand not knowing what the left hand is doing, or the head knowing where the feet are taking it, then it’s no wonder that there’s stumbling.

To broaden these concerns just a bit, I urge – strongly – the USPS and the PRC to recognize the need to work harder and being more open to understanding and attending to the health of the mailing industry, and also to be cognizant of the consequences of the aforementioned kinds of “disconnects” in message and other communications. Yes, the current state of our national economy is adding it’s spice to the picture as well – advertising budgets, including direct mailings, are scrutinized more than ever for their return on investments, with the net result being that some mail campaigns are being scrubbed before they even begin. Genuine partnership is called for between mailers and the USPS – in all its multidimensionality – for us to move forward into the future together and profitably so, for all. More (in terms of number) frank and open communications are certainly called for, along with “real world” and “on the front line” information about what actual capabilities are and what mailers can plan on, and then *working together* to find precisely where limitations need to be addressed. Principled leadership is very much needed here, along with the conviction that “by working productively together, we all can truly “win””

4) How to pay for it – including insights from an electric industry consultant

I mentioned that I had written this testimony while on a planned vacation in Oregon. One of the fine individuals with us is a gentleman who is a high ranking consultant in a private consulting firm for the electric power industry. Since the late 1980’s, he has also worked in the UK, Canada, New Zealand and Australia.

When I told him what I was working on, he mentioned that the term “Postage Stamp Rate” is widely used in the electric industry – meaning that the transmission and distribution charges are the same no matter where they are in the service areas, just as postage stamps cost the same whether you’re mailing a letter across town or across the country. “It’s a concept that works – everybody knows what that means” he said.

He also told me that, like many other countries, we are moving away from that “Postage Stamp Rate” to a “Zonal, Congestion, and Time of Use Pricing” (more properly called “Locational Marginal Pricing”). Charges for power are going to be based on real time data – and in California, the price will change hourly, and will obviously then cost more when and where there is congestion. This kind of pricing was supposed to have gone into effect in 2007, but the cost of the software and the complexity of proving that it works has delayed the full launch. This new pricing structure¹³ is now expected to go into effect for California in November of this year

before, most were received on days 13 – 16, and the last reported day of receipt was 35 days out. Other patterns and findings from our 2008 study will be available soon at <http://www.flutenet.com>.

¹³ As I understand it, the revisions in the scheme of these things started with Federal law in 1978 following the oil embargo, and it was the environmental community who drove it. The whole intent of this pricing structure is to motivate people to use less electricity.

(2008). It is important to note that this is primarily a wholesale matter but there is an element of it at the retail level that is zonal based as well – overall, it’s very complex. He told me that the Federal Energy Regulatory Commission is pushing to get Standardized Local Marginal Pricing in place, and pushing for competition at the retail level. “There is no doubt that the world is moving towards more competition where there once was regulation”, he said.

We went on to explore briefly a possible parallel for the U.S. Mails. Were their model to be adopted, mail would simply cost more going into or traveling within the congested places – like Chicago, DC, New York, and Los Angeles, for example. If mail was to go to a different zone or locale, there would be added cost. But then – the pricing structure for individuals would be incredibly complicated... a man trying to pay his phone bill who lives in one place would have to know what zone he was mailing to in order to know what stamps to use – and he’d have to figure that for every piece of mail he wanted to send and it would depend on timing and specific addresses – and given the way the mails move with such unpredictability, something of the luck of the draw. It didn’t seem very workable to us – and makes much more sense to keep the flat rate stamp as applicable to that class of mail. However, for businesses who use Standard Mail, such a congestion-related zone - pricing plan could indeed be worked up – and with the new tracking capabilities, the congestion rates could be figured on the fly, with the mailer being billed as pieces are delivered in real time, much like when electricity is actually used and runs through the meter. (Were such a plan to be instigated, there would have to come with it a far better track record on the part of the USPS in meeting it’s Performance Standards such that mailers could indeed time the entry of their pieces to “off peak” times, if they needed to – at the very least!) Taking the comparison a bit further, though, it might be the USPS plays the part of the electricity wholesaler and gets the mail pieces from origin to a distribution center near the final delivery, and those last miles could be handled by competitive contractors.^{14 15}

As we discussed it all though, we both agreed that such a complex system of monitoring and billing according to rates of congestion in various zones in real time would also create new levels of bureaucracy, costs, and management that might well NOT be offset by the supposed benefits of competition. Indeed, he told me, the costs of power went up significantly for customers in New Zealand when those systems were deregulated.¹⁶

One other thought for this category. Were the Universal Service Obligation to be renewed and undertaken by the US Postal Service, and deliveries to every address in the country endorsed, there may be value in also formally recognizing the value that letter carriers bring to the social connections they make, in their “binding us together” as a nation sort of way (but please understand: this is not to be confused with anything like a “Big Brother” mandate -- were this to be adopted, very careful marketing on this concept

After a base level allotment at a low cost as determined by specific location/weather, successive increments in energy usage get billed at higher rates – net result is, the more you use the more you pay for it. “It’s all for social engineering reasons, not a cost based thing”, he said.

¹⁴ A very imaginative vision for a similar type of split in mail handling was put forth by John Haldi and William J. Olson in “Enhancing Competition by Unbundling the Postal Administration”, a paper presented at the Thirteenth Conference on Postal and Delivery Economics in Antwerp, Belgium, June 1 – 4, 2005. This creative approach to unbundling services as related to the acceptance, processing, transport, and delivery of mail into a fully competitive model while still preserving the USO offers new ways of thinking about old things. A pdf of this talk can be downloaded from: <http://williamolson.net/site/publications/index.html>

¹⁵ Related to the topic of Postal Service Business Model – I understand that the GAO is actively working on a report regarding that specific topic – it may be worth finding what may already be available from that coming document and seeing how it might inform the questions currently before the PRC.

¹⁶ I understand from an article in “eNAPPUS Legislative and Political Bulletin”, Vol 5, No. 7 – April 18, 2008 – that “the PRC had hosted a lecture by Professor Philippe De Donder of the National Centre for Scientific Research at the Toulouse School of Economics, in France.” This article goes on to say “De Donder concluded at one point in his presentation that when monopoly postal products are open to competition “household senders always suffer [emphasis added] from opening to competition.” – a perspective based on experience which is clearly shared by my observant friend in the electric industry.

would be called for). By way of example - when I lived in rural North Carolina a number of years ago, it was the mail carrier who first found that a neighbor needed help. Given the nature of the community, the first sign of alarm was when the Postman found that the pattern of mail being picked up was not what it usually was, and that my neighbors mail was indeed beginning to pile up in the post box... it was the letter carrier who made the first call, and sadly it was indeed too late for my neighbor as he was found dead in his house a short while after that. In this and other ways, it may be worthy of exploring a framework where our USPS letter carriers could more formally be recognized for this type of benign attention to their customers, such that Homeland Security and possibly also Social Services could be a legitimate source of USPS funding.

5) So – where does all this leave us? Good question.

(1) Based on all of the above, plus my experience with Flute Network’s people and mailings, I would like to see “Universal Service” continue to include letter mail to everybody, anywhere in this country, at a reasonable and consistent price, with delivery 6 days a week where ever possible, if not more – generally speaking, with all six prongs of definition as proposed in the Discussion Memorandum – Attachment A, pages 6 -7.

There is some catching up to do, if the USPS is charged with living up with part 6 of these definitions. As already documented here and elsewhere, the pattern of mail flow that we’ve tracked with The Flute Network indicates that the Performance Standards for flow of delivery of Standard Mail (especially non-profit standard mail) is still no where close to being met across the country¹⁷ – and were potential delivery days cut back, it would be the same as squeezing off the bottom end of a funnel – delivery performance could get nothing but far worse. Instead, if laws permit it, the USPS might look at expanding mail service to all 7 days a week¹⁸ as a means of possibly bringing delivery performance of Standard Mails closer in line with the Standards they said they could meet, and which mailers must rely upon in timing the entry of their pieces.

(2) There are two documents I wish to commend to you as discussion moves forward. (1) APPENDIX U – The Universal Service Obligation and the Postal Monopoly, of the United States Postal Service Transformation Plan, dated April 2002. Though this document does not indicate who authored it, I thought this to be a surprisingly comprehensive appraisal, and enlightening in terms of the arguments made therein from the point of view of the USPS.¹⁹ (2) Additionally – may I commend to you “Universal Postal Service: A Policy History, 1790 – 1970” by Richard B. Kielbowicz, of the University of Washington, Seattle, WA, which was prepared for the Postal Rate Commission and is dated November 15, 2002. There is a wealth of information here, especially valuable for allowing a greater perspective on how the pieces may fit together as we look at the concept in today’s world.

(3) At present, it seems to me that there may be something appealing to the idea of the Obligation for Universal Postal Services resting with the Government as opposed to resting with the USPS. Certainly – the USPS has the infrastructure and the potential to meet it, and they certainly have the mandate - but I have long been suspicious that something of the present-day culture internal to the

¹⁷ Local delivery rates appear to have picked up noticeably since January 2008 - that needs to be acknowledged.

¹⁸ My father lives in Loma Linda, CA. This is a heavily Seventh Day Adventist area and there are indeed no mail deliveries by USPS on Saturday in that town. Instead, they get their Saturday mail on Sundays – so there is at least that precedent for Sunday mail delivery.

¹⁹ I understand there has been a subsequent document along these lines – since I’ve not seen it I can’t comment on that. To be clear, it is the April 2002 Appendix U that I’m referring to here. I do not have the experience or perspective to allow me to recognize just how objective these authors were in their conclusions. I thought it wonderful that there was at least that much of a broad ranging consideration of the topic, coming from the USPS.

USPS may be inhibiting its ability to actually perform as needed for “the people”. (I have nothing in particular to base this suspicion on, but it is the general impression I have had for some time now.) At present, it seems to me they still have the potential to come through on their promises, but as described above - they are falling short in important areas and seem to be unresponsive when asked about them. We the People want service (as in Postal Service) but what we do get, we get begrudgingly. A change in mindset is needed as well as attitudes (perhaps especially attitudes) – and yes, this is very much needed on all sides. But it has to begin somewhere. If the USPS is not willing to lead the way, possibly with the PRC’s help, then direction must come from somewhere and the next logical step is “upwards”.²⁰

Then on the other hand – simultaneously, there is wide *suspicion* of the Government as well (generically speaking) to really do anything right.²¹ Sad to say, by way of example, just look at the typical reaction to the line: “I’m from the Government and I’m here to help you”. Having the Government take over even the name of Universal Service Obligation will add another level of bureaucracy. Do we want the complications that this could bring on? I honestly don’t know if any trade-offs of doing so would be worth it. So again – we’re back to nearly square one.

Broadly speaking, we as a people are hungry for imagination in solving our problems, and have suffered for the lack of it. When reality doesn’t measure up, or even come close, disillusionment is a natural result. And again broadly speaking, when it comes to the Postal Service, we are *there*.²² I don’t really see where changing our *model* of postal service to be like those of other countries is really going to help – at least not on the surface of it. The kind of improvements we’re needing are due entirely to quirks in our own culture and are products of our own history of compromises, contracts, and bargains. Renewed partnerships – honest partnerships – between the USPS and mailers which are forward looking and rooted in “what is” are needed, and are what is most likely to succeed and it’s possible that the PRC can help to broker that.

(4) We as a people want to feel connected, but we want to imagine we have some control over those who seek to connect to us. This and other arguments are underpinnings to some of the “Do Not Mail” movements which would certainly decrease mail volumes and thus threaten USPS jobs, I should think. One of the most insightful articles I’ve seen yet on that issue is in the online archives of Open Mike – by Mike Critelli, Executive Chairman, Pitney Bowes – “Do Not Mail” – online at:

<http://www.mikecritelli.com/2008/01/01/do-not-mail/> -- His closing line adds to my point about the need for better partnership as we look forward on these and other issues: “...this survey indicates that, although the consumers responding to the survey may have gotten the environmental arguments wrong, **their opinions about what is valuable about mail and what is inappropriate are right on target, and we ignore those opinions at our peril.**” (emphasis added, here). Again – the PRC might be instrumental in facilitating that kind of much needed discussion as part of this overall effort as it is a logical dimension of “universal service” and notions of mail monopolies.

²⁰ No – I have absolutely no idea as to who that next step should fall to, nor who that should be... but there MUST be *somebody*...!

²¹ One word: Katrina

²² That being said – there is a Rasmussen Report from Wednesday, May 16, 2007 which found that “US Postal Service Gets Favorable Reviews Despite Higher Prices of Stamps” – a national phone survey of some 1,000 adults done May 14 – 15, 2007, found that 64% of American adults viewed the USPS favorably – while only 20% held unfavorable view; 64% felt that the USPS is better than the post in most places in the world, while 7% believed it was worse; 31% believed that the postal service would improve if it was run by a private company (a plurality of Republicans were in this camp); 31% believed that the postal service would decline if run by a private company (a plurality of Independents were in this camp) – (the Democratic responders were evenly divided between the two assessments). Never the less – complaints about the US Postal Service are rampant and receiving bandwidth in many online blogs. Complaints from people who felt they’d been done wrong and/or were poorly treated even by management are easy to find. Certainly there is room for improvement, and it would appear that most would agree that the most needed area is that of “postal worker attitude”.

IN SUM. Inertia is hard to overcome, but survival is a powerful and proven motivator. If the path forward can be laid out clearly and with well thought through rationales which are based on widely held convictions and cultural values, people will likely have an easier time choosing to buy into it... or not. They won't *like* having to make a choice – they won't *like* having the comfort of their rut compromised ... there will be screaming.

Competing with this though is also a hunger to feel a part of something – a vital part of something that is growing, dynamic, and exciting, and leading to a clearly better way of doing things and of being. A well thought out vision, one which brings us along in the making of it, can tip the scales in favor of the later. That's where the PRC can have a huge role, I think, as you frame your report to Congress and the President.

Whether you decide ultimately to reconfirm the “Universal Service Obligation” and the Postal Monopoly as belonging to the USPS or to redefine it in some way, please make every effort to bring us along in the reasoning for it. Help us see how the decisions were made, and help us understand the convictions, principles and values that drove them. Most of us in this country are reasonable people, most of the time, and I do believe that most folks in this country would choose “the good of the many over the good of the few”... unless the good of the few happens to include the proverbial “me”, of course... when that is the case for someone, then usually all bets are off.

Thank you for your time. I regret that I wasn't able to get to more of the issues that were posed to us for consideration.

I'd be happy to take any questions.

ATTACHMENT A – The Flute Network, Flagstaff, AZ PRC Hearing

For reference sake:

TITLE 39--POSTAL SERVICE

PART I--GENERAL

CHAPTER 1--POSTAL POLICY AND DEFINITIONS

Sec. 101. Postal policy

(a) The United States Postal Service shall be operated as a basic and fundamental service provided to the people by the Government of the United States, authorized by the Constitution, created by Act of Congress, and supported by the people. The Postal Service shall have as its basic function the obligation to provide postal services to bind the Nation together through the personal, educational, literary, and business correspondence of the people. It shall provide prompt, reliable, and efficient services to patrons in all areas and shall render postal services to all communities. The costs of establishing and maintaining the Postal Service shall not be apportioned to impair the overall value of such service to the people.

(b) The Postal Service shall provide a maximum degree of effective and regular postal services to rural areas, communities, and small towns where post offices are not self-sustaining. No small post office shall be closed solely for operating at a deficit, it being the specific intent of the Congress that effective postal services be insured to residents of both urban and rural communities.

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(e) In determining all policies for postal services, the Postal Service shall give the highest consideration to the requirement for the most expeditious collection, transportation, and delivery of important letter mail.

ATTACHMENT B – The Flute Network, Flagstaff, AZ PRC Hearing

**WORKING PAPERS -- Highlights in the Evolution of the USPS – a context for today’s questions
For The Flute Network, Jan Pritchard**

Given the limitations of time in preparation of this testimony, and the fact that much of the preparation of this testimony had to take place while on a long-planned family vacation on the remote coast of Oregon, I have not had the opportunity to fact check all of this anywhere near to the extent I would have liked – however even a superficial appreciation for (and understanding of) some of the evolution of the USPS as an entity and its practices (subject to correction, of course) seemed a useful framework as we consider it’s next steps in evolution.

Most “big” questions are not unique in time – the particulars may vary, but the underlying issues and conditions which give rise to them are worthy of revisit for what they may offer in informing the present time concerns. No doubt about it – decisions bring consequences which often times bring other problems which in turn will have THEIR own consequences... and what we are grappling with today are indeed outgrowths of many of those earlier decisions and choices.

What follows here, then, is a collection of selected relevant sections from pertinent topics of what is publicly available online through “Wikipedia – The Free Encyclopedia” which have contributed greatly in terms of background information for me, and shaped my thinking on this project. All notations of citations and internal links were left within the quotes, but due to a variety of limitations, I must refer the reader to the original online article for those references, and for the wonderful illustrations also contained in many of the articles there and which are not included here.

My personal notations and insertions will be set aside in brackets – as in, []’s. Some spelling errors were corrected – but all credit for the information included here is due entirely to the original unknown posters at Wikipedia, and I am humbly grateful for this help.

[To begin with:]

The first postal service in America arose in February of 1692 when a grant from [King William and Queen Mary](#) empowered [Thomas Neale](#) "to erect, settle and establish within the chief parts of their majesties' colonies and plantations in America, an office or offices for the receiving and dispatching letters and pacquets, and to receive, send and deliver the same under such rates and sums of money as the planters shall agree to give, and to hold and enjoy the same for the term of twenty-one years."

...The *United States Post Office* (USPO) was created in [Philadelphia](#) under [Benjamin Franklin](#) on [July 26, 1776](#) by decree of the [Second Continental Congress](#). Based on the [Postal Clause](#) in [Article One of the United States Constitution](#), empowering [Congress](#) "To establish post offices and post roads," it became the [Post Office Department](#) in 1792. “

The United States Postal Service was enhanced during the tenure of President [Andrew Jackson](#). [(1829–1837)] The postal service was run by a [political machine](#), rather than non-partisan workers, where faithful political supporters were appointed to high position in the post office as a reward for their contributions. Some of these positions included Postmaster and Postmail Inspector. When the Postal Service began to expand, it ran into trouble because of a lack of employees and transportation. This only helped to fuel the political machine, because as the Postal Service expanded, it left open spots of Postmaster for the President to appoint his local supporters to. There was significant amount of corruption in the postal service because it was based on the political feelings of the majority party and current President.

Once it was realized that in order for the Postal System to thoroughly expand across the entire country, it would warrant a building of a federal railway to transport that mail. The [Railway Mail Service](#) was created to subsidize the railway system. A railway company must build a car to transport mail in order to obtain the government subsidy. RMS workers were hired and became some of the most skilled mail sorters in the service. In order to be an RMS worker, they must be able to separate the mail into compartments based on its final destination, and before the first destination arrived. It was important that RMS workers separated the mail of the closer destinations first, so that all of the mail could be delivered at the same time. These RMS mail sorters came into a fame of their own, and were showcased in mail sorting competitions where they would compete to see who could most quickly and correctly separate the mail for a given day. (Wikipedia, “United States Postal Service”, as of 5/16/08)

The RMS, or its successor the Postal Transportation Service (PTS), carried the vast majority of letters and packages mailed in the [United States](#) from the [1890s](#) until the [1960s](#). ...George B. Armstrong, manager of the [Chicago](#) Post Office, is generally credited with being the founder of the concept of en route mail sorting aboard trains which became the Railway Mail Service. Mail had been carried in locked pouches aboard trains prior to Armstrong's involvement with the system, but there had been no organized system of sorting mail en route, to have mail prepared for delivery when the mail pouches reached their destination city.[\[1\]](#)

In response to Armstrong's request to experiment with the concept, the first [railway post office](#) (RPO) began operating on the [Chicago and North Western Railway](#) between [Chicago](#) and [Clinton, Iowa](#), on [August 28, 1864](#).[\[1\]](#) The concept was quickly seen as successful, and was expanded to other railroads operating out of [Chicago](#), including the [Chicago, Burlington and Quincy](#), [Chicago and Rock Island](#), [Pennsylvania](#) and the [Erie](#).

By [1869](#) when the Railway Mail Service was officially inaugurated,[\[1\]](#) the system had expanded to virtually all of the major [railroads](#) of the [United States](#), and the country was divided into six operating divisions. A superintendent was over each division, all under the direction of George B. Armstrong, who had been summoned from [Chicago](#) to [Washington, D.C.](#) to become general superintendent of the postal railway service. Armstrong served only two years as general superintendent before resigning because of failing health. He died in Chicago on [May 5, 1871](#), two days after his resignation.

Armstrong's successor in Chicago, George S. Bangs, was appointed as the second general superintendent of the postal railway service. Bangs encouraged the use of fast mail trains, trains made up entirely of mail cars, traveling on expedited schedules designed to accommodate the needs of the Post Office rather than the needs of the traveling public

...In [1890](#), 5,800 postal railway clerks provided service over 154,800 miles of railroad. By [1907](#), over 14,000 clerks were providing service over 203,000 miles of railroad. When the post office began handling parcel post in 1913, [terminal Railway Post Office](#) operations were established in major cities by the RMS, in order to handle the large increase in mail volume. The Railway Mail Service reached its peak in the [1920s](#), then began a gradual decline with the discontinuance of RPO service on branchlines and secondary routes. After 1942, [Highway Post Office](#) (HPO) service was utilized to continue en route sorting after discontinuance of some [railway post office](#) operations. As highway mail transportation became more prevalent, the Railway Mail Service was redesignated as the Postal Transportation Service.

Abandonment of routes accelerated in the late [1950s](#) and early [1960s](#), and many of the remaining lines were discontinued in [1967](#). On June 30, [1974](#), the [Cleveland](#) and [Cincinnati](#) highway post office, the last HPO route, was discontinued. The last [railway post office](#) operated between [New York](#) and [Washington, D.C.](#) on [June 30, 1977](#). (Wikipedia, "Railway Mail Service", 5/16/08)

Another overlay in the process of USPS evolution is this:

Rural Mail Delivery began on October 1st, 1891 to determine the viability of Rural Free Delivery (RFD). Formerly, residents of rural areas traveled to the [Post office](#) to pick up their mail or pay for delivery by a private carrier.

Much support for the introduction of rural mail service came from the [The National Grange of the Order of Patrons of Husbandry](#). (Wikipedia, "Rural Letter Carrier" 5/16/08)

The National Grange of the Order of Patrons of Husbandry, also simply styled the Grange, is a fraternal organization for American farmers that encouraged farm families to band together for their common economic and political good. Founded in 1867 after the [Civil War](#), it is the oldest surviving agricultural organization in America, though now much diminished from the over one million members it had in its peak in the 1890s through the 1950s. In addition to serving as a center for many farming communities, the Grange was an effective [special interest group](#) for farmers and their agendas, including fighting railroad monopolies and pushing for rural mail deliveries. (Wikipedia, "The National Grange of the Order of Patrons of Husbandry", 5/16/08)

So...

In 1913 came the introduction of parcel post, which caused rural delivery service to blossom. It allowed the distribution of national newspapers and magazines, and enabled people in rural areas to obtain merchandise not sold in their communities. Most important of all, roads in rural America had to be opened up to allow passage of mail. This allowed the United States to be tied together by a system of roads. (Wikipedia, "Rural Letter Carrier" 5/16/08)

Rural delivery service, formerly known as *Rural Free Delivery* (RFD), is the service by which the [United States Postal Service](#) delivers [mail](#) directly to residents in [rural](#) areas.

RFD started in October [1896](#) as an experiment, 33 years after free delivery in cities had begun. It became an official service in [1902](#), and was expanded in [1913](#) with the introduction of rural [parcel post](#) service.

The rural delivery service uses a network of rural routes traveled by carriers to deliver and pick up mail to and from roadside mailboxes. An address for mail to a rural delivery address used to include both the rural route number and the box number, for example "RR 5, Box 10." With the creation of the 911 emergency system, it became necessary to conform rural addresses to house numbers and street names as used on city routes. This enables emergency services to locate the residence easier.

[From earlier in this same article:]

Rural letter Carriers have an unusual way of getting a full time position as a Rural Carrier. They start as a RCA (Rural Carrier Associate). RCA's are selected from a hiring register based on score after passing the 460 exam. Anyone may take the 460 exam and become eligible to become an RCA. The position of Rural Carrier Associate starts at \$17.98 per hour.

Within the United States Postal Service rural carrier substitutes fall into two categories, Rural Carrier Associate (RCA) and Temporary Relief Carrier (TRC). Both categories of substitute (RCA and TRC) are considered "Non-career" positions. In most cases, RCA's receive one benefit, eligibility for membership in the National Rural Letter Carriers Association (NRLCA). They can be assigned as carriers on auxiliary (part time) rural routes. They can also serve on full time routes when a regular carrier is on extended leave, and earn both annual and sick leave after 90 days. However, RCA's cannot apply for career positions in the Postal Service other than the position of Regular Rural Carrier.

TRC's receive no benefits at all. They do not need to take or pass the 460 exam. They are paid much less than RCA's and usually earn between \$11-\$13 an hour depending on the geographic area. They are not eligible for membership in the NRLCA and do not receive any of the benefits and protections that union membership provides. Additionally, they must have a 6 day break in service each year, meaning they must literally be terminated and rehired.

Once an RCA, a person is placed on a seniority list to move into a career position when a regular route opens up in their office. Regular routes usually become available through the retirement of a regular carrier or new housing development. In some offices it may take over a decade to get a regular route. In other offices, one might become regular within a year or two. New development of housing is one of the best indications of the time it will take to have a regular route.

...The National Rural Letter Carriers Association (NRLCA) is the sole representative for all Rural Carriers. Rural Letter Carriers are considered bargaining unit employees in the [United States Postal Service](#). This means that there is a contract between the Postal Service and the NRLCA. Rural Carriers are also subject to the rules and regulations of the United States Postal Service.

[Also in this article:]

Rural Carriers are paid a salary based on an evaluation of the route they deliver. The evaluation determines how many hours it should take to deliver the route on average each week. A mail count is conducted to determine the route evaluation, this count can be voluntary or at times is mandatory. Mail counts are also conducted at predetermined intervals as negotiated between the National Rural Letter Carriers Association and the United States Postal Service. As homes and businesses move into or out of a route, the route gains or loses time. Mail counts consider the number of mailboxes on the route, the number of miles the Rural Carrier must drive each day to deliver the mail, the volume of mail to be delivered and other duties performed by the Rural Carrier daily. This information is combined with the carriers' years of service to determine how much the Rural Carrier's annual pay. Adjustments to the annual salary may be made periodically as route situations change, such as the addition or deletion of territory or mileage. (Wikipedia, "Rural Letter Carrier", 5/16/08)

[The Wikipedia article on Air Mail contains some fascinating lines about the very first Air Mail experiences which are not included below – we instead pick up where the narrative becomes most relevant to the understandings at hand:]

The first official air mail delivery in the United States took place on [August 17, 1859](#), when [John Wise](#) piloted a balloon starting in [Lafayette, Indiana](#) with a destination of [New York](#). Weather issues forced him to land in [Crawfordsville, Indiana](#) and the mail reached its final destination via train. In 1959 the U.S. Postal Service issued a 7 cent stamp commemorating the event.[\[2\]](#)

... [Balloon mail](#) was also carried on an 1877 flight in [Nashville, Tennessee](#).

The introduction of the [airplane](#) in 1903 generated immediate interest in using them for mail transport, and the first official flight took place on [18 February 1911](#) in [Allahabad, India](#) to [Naini](#), India, when [Henri Pequet](#) carried 6,500 letters a distance of 13 km.

The first scheduled U.S. Air Mail service began on [15 May 1918](#), using [U.S Army Curtiss JN-4 "Jenny" biplane](#) aircraft operating on a route between [Washington, D.C.](#) (Washington Polo Grounds) and [New York City \(Belmont Park\)](#) with an intermediate stop in [Philadelphia](#) (Bustleton Field). (Service on the route was extended to [Boston](#) three weeks later on June 4th.) Among those who were on hand for the departure of the first flight from Washington, D.C., were [President Woodrow Wilson](#), [U.S. Postmaster General Albert S. Burleson](#), and Assistant Secretary of the Navy [Franklin D. Roosevelt](#). Army Lt. George L. Boyle was selected to pilot aircraft #38262 on the first Northbound flight which turned out to be a less than successful venture. Almost immediately after taking off at 11:47AM Boyle became disoriented and started flying South when he followed the wrong set of railroad tracks out of the city. Realizing that he was lost, Boyle attempted to find out where he was by making an unscheduled landing just 18 minutes later at 12:05PM about 25 miles South of the city in Waldorf, MD. Unfortunately, however, Boyle broke the prop on his aircraft when he made a hard landing, so the 140 pounds of mail he was carrying had to be trucked back to Washington from where it was finally flown North to Philadelphia and New York the following day.[\[3\]\[4\]](#) The site of the first continuously scheduled air mail service is marked by a [plaque](#) in [West Potomac Park](#) in Washington, D.C. The first nighttime airmail flight was made in 1921 from Omaha, Nebraska to Chicago, by aviator [James Knight](#).

In 1925, the Congress passed HR 7064 entitled "*An Act to encourage commercial aviation and to authorize the Postmaster General to contract for Air Mail Service*" (aka "The Kelly Act") which directed the [U.S. Post Office](#) to contract with private airlines to carry the mail over designated routes. The first two commercial Contract Air Mail (CAM) routes to begin operation in the United States were CAM-6 between [Detroit \(Dearborn\)](#) and [Cleveland](#) and CAM-7 between [Detroit \(Dearborn\)](#) and [Chicago](#) which were simultaneously inaugurated on [15 February 1926](#). The contractor for both routes was the [Ford Motor Company](#), operating as Ford Air Transport, using a fleet of six Ford built [Stout 2-AT](#) aircraft. [Lawrence G. Fritz](#), later the Vice President for Operations for [TWA](#), was the pilot of the first flight to take off with mail from from [Ford Airport](#) at Dearborn, MI, on the CAM-6 eastbound leg to Cleveland. CAM-2, the route between [Chicago](#) and [St. Louis](#), began operation two months later on [15 April 1926](#), with pilot [Charles A. Lindbergh](#) at the controls on the first flight.[\[5\]](#) A year later the then otherwise unknown 25-year old Air Mail pilot became world famous when he flew the [Spirit of St. Louis](#) on the first non-stop flight from [New York](#) to [Paris](#) in May, 1927.

.... many [other] countries had operating services by the 1920s.

The 1928 book [So Disdained](#) by [Nevil Shute](#) - a novel based on this author's deep interest in and thorough knowledge of aviation - includes a monologue by a veteran pilot, preserving the atmosphere of these pioneering times: "We used to fly on the Paris route, from [Hounslow](#) to [Le Bourget](#) and get through as best as you could. Later we moved on to [Croydon](#). (...) We carried the much advertised Air Mails. That meant the machines had to fly whether there were passengers to be carried or not. It was left to the discretion of the pilot whether or not the flight should be canceled in bad weather; the pilots were dead keen on flying in the most impossible conditions. Sanderson got killed this way at Douville. And all he had in the machine was a couple of picture postcards from trippers in Paris, sent to their families as a curiosity. That was the Air Mail. No passengers or anything - just the mail"[\[6\]](#).

Since [stamp collecting](#) was already a well-developed hobby by this time, collectors followed developments in airmail service closely, and went to some trouble to find out about the [first flights](#) between various destinations, and to get letters onto them. The authorities often used special [cachets](#) on the [covers](#), and in many cases the [pilot](#) would sign them as well.

First airmail service by [helicopter](#) in USA, [Los Angeles](#), 1947

...The [dirigibles](#) of the 1920s and 1930s also carried airmail, known as [dirigible mail](#). The German [zeppelins](#) were especially visible in this role, and many countries issued special stamps for use on [zeppelin mail](#).

In the 1950s, general enthusiasm for [rockets](#) led to experiments with [rocket mail](#). There was a single use of **Missile Mail** by the United States in 1959; see: [USS Barbero](#). None of the various schemes went into production use, although many souvenir covers exist. A

number of [spacecraft](#) have also carried [space mail](#), sometimes in rather large quantities, all for promotional purposes. The study of these is known as [astrophilately](#).

In the United States, domestic airmail long carried a higher rate, but in 1975 the [United States Postal Service](#) eliminated domestic air mail rates, deciding (coincident with the rise in the one-ounce first class domestic rate from ten to thirteen cents) that all domestic first class mail would be delivered by the speediest method of transportation. (Wikipedia, Air Mail, 5/16/08)

[A pertinent wrinkle in this branch of USPS mail handling evolution – for the complete story, check out Wikipedia – **Air Mail Scandal**. Here’s some of the particularly relevant sections for our concern today:]

Background

U.S. [air mail](#) operations began in 1919 with pilots and airplanes belonging to the [United States Post Office](#). For nine years, using mostly war-surplus [de Havilland DH-4](#) biplanes, the Post Office built and flew a nationwide network. In the beginning the work was extremely dangerous; of the initial 40 pilots, three died in crashes in 1919 and nine more in 1920. It was 1922 before an entire year ensued without a fatal crash. [\[1\]](#)

As safety and capability grew, daytime-only operations gave way to flying at night, assisted by ground beacons and lighted emergency landing fields. Regular transcontinental air mail delivery began in 1924. However in 1925, to encourage commercial aviation, the Kelly Act (also known as the Air Mail Act of 1925) authorized the Post Office Department to contract with private airlines for feeder routes into the main transcontinental system. The first commercial air mail flight was on the 487-mile Air Mail Route #5 from [Pasco, Washington](#) to [Elko, Nevada](#) on April 6, [1926](#). By 1927 the transition had been completed to entirely commercial transport of mail, and by 1929 45 airlines were involved in mail delivery at a cost per mile of \$1.10. Most were small, under-capitalized companies flying short routes and old equipment.[\[1\]](#)

Subsidies for carrying mail exceeded the cost of the mail itself, and some carriers abused their contracts by flooding the system with junk mail at 100% profit or hauling heavy freight as air mail. Historian Oliver E. Allen, in his book *The Airline Builders*, estimated that airlines would have had to charge a 150-pound passenger \$450 per ticket in lieu of carrying an equivalent amount of mail.[\[1\]](#)

[skip]

Air Mail Act of 1930

President [Herbert Hoover](#) appointed [Walter F.] Brown as his postmaster general in [1929](#). In [1930](#), Brown, citing inefficient and expensive air mail delivery, requested legislation from [Congress](#) granting him authority to change postal policy. The Air Mail Act of 1930, passed on [April 29](#) and known as the McNary-Watres Act after its chief sponsors, Sen. [Charles L. McNary](#) of [Oregon](#) and Rep. [Laurence H. Watres](#) of [Pennsylvania](#), authorized the postmaster general to enter into longer-term airmail contracts with rates based on space or volume, rather than weight. The Act gave Brown strong authority (some argued almost dictatorial powers)[\[3\]](#) over the nationwide air transportation system.

The main provision of the Air Mail Act changed the manner in which payments were calculated. Air mail carriers would be paid for having sufficient cargo capacity on their planes, whether the planes carried mail or flew empty, a disincentive to carry mail since the carrier received a set fee for a plane of a certain size whether or not it carried mail. The purpose of the provision was to discourage the carrying of bulk [junk mail](#) to boost profits, particularly by the smaller and inefficient carriers, and to encourage the carrying of passengers. Airlines using larger planes designed to carry passengers would increase their revenues by carrying more passengers and less mail. Awards would be made to the “lowest responsible bidder” that had owned an airline operated on a daily schedule of at least 250 miles (402 kilometers) for at least six months.[\[3\]](#)

A second provision allowed any airmail carrier with an existing contract of at least two years standing to exchange its contract for a “route certificate” giving it the right to haul mail for 10 additional years. The third and most controversial provision gave Brown authority to “extend or consolidate” routes in effect according to his own judgment.[\[3\]](#)

Less than two weeks after its passage, at the Spoils Conference, Brown invoked his authority under the third provision to consolidate the air mail routes to only three companies, forcing out their competitors. These three carriers later evolved into [United Airlines](#) (the northern airmail route), [TWA](#) (Transcontinental and Western Air, which had the mid-United States route) and [American Airlines](#)

(American Airways, the southern route). Brown also extended the southern route to the [West Coast](#). He awarded bonuses for carrying more passengers and purchasing multi-engined aircraft equipped with radios and navigation aids.

Congressional investigation

In September 1933, after a complaint was made to the Senate Committee on Ocean Mail and Air Mail, its chairman, [Alabama](#) Senator [Hugo Black](#), agreed to establish a special Senate committee to investigate alleged improprieties and gaming of the rate structure, such as carriers padlocking individual pieces of mail to increase weight. Despite showings that Brown's administration of the air mail had increased the efficiency of the service and lowered its costs from \$1.10 to \$0.54 per mile,^[1] and the obvious partisan politics involved in investigating what appeared to be a [Republican](#) scandal by a [Democratic](#)-controlled committee, the hearings raised serious questions regarding its legality and ethics.

Black announced that he had found evidence of "fraud and collusion" between the Hoover Administration and the airlines and held public hearings in January 1934.^[3] ...[these would be called the Spoils Conference]

[Insert – background on this point, from earlier in this same Wikipedia article:

William P. MacCracken, Jr. [had become] the first federal regulator of commercial aviation when President Herbert Hoover named him the first Assistant Secretary of Commerce for Aeronautics in 1926... . After helping to draft key safety standards and regulations that became part of the 1930 Air Mail Act, MacCracken returned to his private law practice, where he continued to be involved in the growth of commercial aviation by representing many major airlines. For that reason Postmaster General Walter F. Brown asked him to preside over what was later scandalized as the *Spoils Conference*, to work out an agreement between the carriers and the Post office to consolidate air mail routes into transcontinental networks operated by the best-equipped and financially stable companies. This relationship left both exposed to charges of favoritism. When MacCracken was called to testify, he refused to appear and allowed his clients to recover documents from his firm's files. The Senate judged him a [lobbyist](#) , and voted to find him in [Contempt of Congress](#).^[2] [slight edit in this last sentence to assist comprehension and provide continuity without altering the original contributors meaning]

[/end insert]

On [February 7](#), 1934, Roosevelt's postmaster general, [James A. Farley](#), announced that he and President Roosevelt were committed to protecting the public interest and that as a result of the investigation, President Roosevelt had ordered the cancellation of all domestic air mail contracts. However not stated to the public was that the decision had overridden Farley's recommendation that it be delayed until June 1, by which time new bids could have been received and processed for continued civilian mail transport.^[4]

Role of the U.S. Army Air Corps

Executive Order 6591

At the time of the scandal, the Air Corps was in the midst of lobbying for a more centralized control of air operations in the form of an establishment of a General Headquarters (GHQ), Air Force. At a cabinet meeting on the morning of [February 9, 1934](#), [Secretary of War George H. Dern](#) assured President Roosevelt that the Air Corps could deliver the mail without consulting either Army Chief of Staff [Douglas MacArthur](#) or Chief of the Air Corps Maj. Gen. [Benjamin D. Foulois](#). Shortly after the cabinet meeting that same morning, second assistant postmaster general Harllee Branch called Foulois to his office. A conference between members of the Air Corps, the Post Office, and the Aeronautics Branch of the Commerce Department ensued in which Foulois, asked if the Air Corps could deliver the mail in winter, casually assured Branch that the Air Corps could be ready in a week or ten days.^[5]

At 4 o'clock that afternoon President Roosevelt suspended the airmail contracts effective at midnight [February 19](#).^[1] He issued [Executive Order](#) 6591 ordering the [War Department](#) to place at the disposal of the Postmaster General "such air airplanes, landing fields, pilots and other employees and equipment of the Army of the United States needed or required for the transportation of mail during the present emergency, by air over routes and schedules prescribed by the Postmaster General."

Preparation and plans

In 1933 the airlines had carried several million pounds of mail on 26 routes covering almost 25,000 miles of airways. Transported mostly by night, the mail had been carried in modern passenger planes equipped with modern flight instruments and radios, using ground-based beam transmitters as navigation aids. The airlines also had a well-established system of maintenance facilities along

their routes.[1][6] Initial plans were made for coverage of 18 mail routes totaling nearly 12,000 miles; and 62 flights daily, 38 by night.

On [February 14](#), five days before the Air Corps was to begin, [General Foulois](#) appeared before the [House of Representatives Post Office Committee](#) outlining the steps taken by the Air Corps in preparation. In his testimony he assured the committee that the Air Corps had selected its most experienced pilots and that it had the requisite experience at flying at night and in bad weather.

In actuality, of the 262 pilots selected, more than half were Reserve junior officers with less than two years flying experience. The Air Corps had made a decision not to draw from its training schools, where most of its experienced pilots were assigned. Only 48 of those selected had logged at least 25 hours of flight time in bad weather, only 31 had 50 hours or more of night flying, and only 2 had 50 hours of [instrument time](#).[6]

The Air Corps during the Great Depression, hampered by pay cuts and a reduction of flight time, operated almost entirely in daylight and good weather. Duty hours were limited and relaxed, usually with four hours or less of flight operations a day, and none on weekends. Experience levels were also limited by obsolete aircraft, most of them single-engine and open cockpit planes. Because of a high turnover-rate policy in the War Department, most pilots were Reserve officers unfamiliar with the civilian airmail routes.[7]

Regarding equipment, the Air Corps had in its inventory only 274 [Directional gyros](#) and 460 [Artificial horizons](#), and very few of these were mounted in aircraft. It possessed 172 radio transceivers, almost all with a range of 30 miles or less. Foulois ordered the available equipment to be installed in the 122 aircraft assigned to the task, but the instruments were not readily available and Air Corps mechanics unfamiliar with the equipment sometimes installed them incorrectly.[8]

The project, termed AACMO (Army Air Corps Mail Operation),[6] was placed under the supervision of Brig.Gen. [Oscar Westover](#), assistant chief of the Air Corps. He created three geographic zones and appointed Lt.Col. [Henry H. Arnold](#) to command the Western Zone, Lt.Col. [Horace Meek Hickam](#) the Central Zone, and Maj. [Byron Q. Jones](#) the Eastern Zone. Personnel and planes were immediately deployed, but problems began immediately with a lack of proper facilities (and in some instances, no facilities at all) for maintenance of aircraft and quartering of enlisted men, and a failure of tools to arrive where needed.[9]

Sixty Air Corps pilots took oaths as postal employees in preparation for the service and began training. On February 16, three pilots on familiarization flights -- Lts. Jean D. Grenier, Edwin D. White, and James Eastman -- were killed in crashes attributed to bad weather.[6] This presaged some of the worst and most persistent late winter weather in history.

Flying the mail

Blizzard conditions

A [blizzard](#) disrupted the initial day's operations east of the [Rocky Mountains](#), where the first flight from [Newark, New Jersey](#), was cancelled. The first flight of the operation left from [Kansas City, Missouri](#), carrying 39 pounds of mail to [St. Louis](#). Snow, rain, fog, and turbulent winds hampered flying operations for the remainder of the month over much of the United States.[1]

In the Western Zone, Arnold established his headquarters in [Salt Lake City](#). In the winter of 1932-1933 he and many of his pilots had gained winter flying experience flying food-drop missions to aid [Indian reservation](#) settlements throughout the American Southwest isolated by blizzards. As a result of this experience and direct supervision, Arnold's zone was the only one in which a pilot was not killed.[10]

The Western Zone's first flights were made using 18 [Boeing P-12](#) fighters, but these could carry a maximum of only 50 pounds of mail each, and even that amount made them tail-heavy. After one week they were replaced by [O-38](#) and [O-25C](#) observation biplanes borrowed from the [National Guard](#). In both the Western and Eastern zones these became the aircraft of choice, modified to carry 160 pounds of mail in their rear cockpits. Better-suited planes such as the new [YB-10](#) bomber and [A-12](#) attack aircraft were in insufficient numbers to be of practical use. Two YB-10s crashlanded when pilots unfamiliar with retractable landing gear forgot to lower it, and there were only enough A-12s for a partial squadron in the Central Zone.[1][11]

On [February 22](#), 1934 two fatal crashes occurred in Texas and Ohio, and a near-fatal crash in Virginia. The next day a forced landing in the Atlantic Ocean resulted in a drowning.[12] President Roosevelt, publicly embarrassed, ordered a meeting with Foulois that resulted in a reduction of routes and schedules (which were already only 60% of that flown by the airlines), and strict flight safety rules.

On [March 8](#) and [9, 1934](#), four more pilots died in crashes,[\[13\]](#) totaling ten fatalities in less than one million miles of flying the mail. (Ironically, the crash of an American Airlines airliner on March 9, killing four, went virtually unnoticed in the press.)[\[1\]](#) World War I Air Service legend [Eddie Rickenbacker](#) was quoted as calling the program "legalized murder," which became a [catch-phrase](#) for criticism of the Roosevelt Administration's handling of the crisis. Aviation icon [Charles A. Lindbergh](#), a former air mail pilot himself, stated that using the Air Corps to carry mail was "unwarranted and contrary to American principles." Even though both had close ties to the airline industry, their criticisms seriously stung the Roosevelt Administration. [\[14\]\[1\]](#)

On [March 10](#) President Roosevelt called Foulois and [Army Chief of Staff](#) General [Douglas MacArthur](#) to the [White House](#), asking them to fly only in completely safe conditions. Foulois replied that to ensure complete safety the Air Corps would have to end the flights, and Roosevelt suspended airmail service on [March 11, 1934](#).

Foulois wrote in his autobiography that he and MacArthur incurred "the worst tongue-lashing I ever received in all my military service". Norman E. Borden, in *Air Mail Emergency of 1934*, wrote: "To lessen the attacks on Roosevelt and Farley, Democratic leaders in both houses of Congress and Post Office officials placed the blame for all that had gone wrong on the shoulders of Foulois."[\[1\]](#)

The Army resumed the program again on [March 19, 1934](#), with limited schedules, in better weather, and after putting its pilots through a hastily-created course in instrument flying. It continued the service through [May 8, 1934](#), when temporary contracts with private carriers were put into effect. Two additional Army pilots were killed before AACMO's last flight on [June 6, 1934](#).

Results

In all, 12 pilots had been killed in 66 accidents, resulting in an intense public furor. Because of the air mail operation, crash deaths suffered by the Air Corps in 1934 rose by 15% to 54 accidental deaths, compared to 46 in 1933 and 47 in 1935.[\[1\]\[15\]](#)

In 78 days of operations and over 13,000 hours of logged flight time, completing 65.8 percent of their scheduled flights, the Army Air Corps had moved 777,389 pounds of mail over 1,590,155 miles. Aircraft employed in carrying the mail were the [B-2](#), [B-4](#), [B-6](#), [Y1B-7](#), and YB-10 bombers; the P-12 fighter; the A-12 attack plane; [C-27](#) transport; and the [O-19](#), O-25C, [O-39](#), and two models of O-38 observation planes.

Among Army flyers flying the mail were [Ira C. Eaker](#), [Frank A. Armstrong](#), [Elwood R. Quesada](#), and [Beirne Lay, Jr.](#), all of whom would play important roles in air operations during the Second World War.

Consequences and affects

Effects on the airline industry

The government had little choice but to return service to the commercial airlines, but did so with several punitive conditions. The Air Mail Act of [June 12, 1934](#), drafted by Senator Black, closely regulated the air mail business, dissolved the holding companies that brought together airlines and aircraft manufacturers, and prevented companies that held the old contracts from getting new ones. (The industry's response to the last item was simply to change names; for instance Northwest Airways became [Northwest Airlines](#).) With bidding for contracts more competitive and air mail revenue less attractive than before, the airlines placed a new emphasis on passenger transportation and development of modern airliners.

The most punitive measure was to ban all former airline executives from further contracts. [United Airlines'](#) president, [Philip G. Johnson](#), for instance, chose to leave the United States and helped to form [Trans-Canada Airlines](#). The effect of the entire scandal was to guarantee that mail-carrying contracts remained unprofitable, and pushed the entire industry towards carrying passengers.

Several airlines sued the government for revenues missed while the Air Corps flew the mail. The last claim was settled in 1942. In 1941 the [United States Court of Claims](#) found that there had not been any fraud or collusion in the awarding of contracts pursuant to the Air Mail Act of 1930.[\[1\]](#)

Changes in the Air Corps

The immediate results of the operation were disastrous for the image of the Air Corps. [Speaker of the House Henry T. Rainey](#), echoing comments made by Gen. [Billy Mitchell](#),[\[1\]](#) criticized: "If we are unfortunate enough to be drawn into another war, the Air Corps wouldn't amount to much. If it is not equal to carrying the mail, I would like to know what it would do in carrying bombs." ([Congressional Record](#), [73rd Congress](#), 2nd Session, Vol. 78, Pt. 3, 3144-3145.)

For the Air Corps, despite its public humiliation, the Air Mail Fiasco resulted in a number of improvements.

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Within the Air Corps itself, instrument training was upgraded, radio communications were greatly improved into a nationwide system that included [navigation aids](#), and budget [appropriations](#) were increased.[18] The Air Corps acquired the first six [Link Trainer](#) flight simulators of a fleet that would ultimately number more than 10,000.[19]

Finally, the president appointed [Clark Howell](#), newspaper editor of the [Atlanta Constitution](#), to chair a five-person committee to investigate U.S. aviation that resulted in the creation of the [Federal Aviation Commission](#).

(Wikipedia, "Air Mail Scandal", 5/16/08)

Once the **United States Postal Service** became an interest group with more money and more respect, they were affected by many political issues. The New York Society for Suppression of Vice, spearheaded by [Anthony Comstock](#), made it illegal in the 1890's to mail anything [obscene](#), [indecent](#) or involving [abortion](#) issues, [contraception](#) information and [alcohol](#) promotion. Comstock appointed himself as "special Postmaster" in order to enforce these laws, and created a [posse comitatus](#) in order to organize and hunt down illegal activity. Comstock used these RMS workers to help him hunt down illegal activity, because no mail was delivered without going through the sorting hands of an RMS worker first. Comstock helped to change the United States Postal Service from a government agency to an interest group that policed the mail system." (Wikipedia, "United States Postal Service", as of 5/16/08)

[ON THE QUESTION OF US MAIL MONOPOLY:]

During the 1830s and 1840s several entrepreneurs started their own letter mail delivery companies, with the intent of ending the postal monopoly. These included [Lysander Spooner](#) and his [American Letter Mail Company](#),[8] [Henry Wells](#) (of [Wells Fargo](#)) and [Alvin Adams](#). To begin with, they were financially successful. However they were forced out of business by several postal reforms leading to lower postage rates in the 1840s and 1850s as well as Congressional legislation enforcing the mail monopoly, or in the case of the [Pony Express](#), became mail contractors.[9][10] The average price charged by the Post Office to mail a letter in 1845 was 14.5 cents, whereas the private postal systems generally charged between 5 and 6.5 cents. By 1851, the Post Office had cut their rates to 3 cents, which has been cited as the main factor in driving the private mail companies out of business. Another consequence of the rate cut was that by 1860, the formerly self-supporting Post Office depended on the Treasury for half its income.[11] (Wikipedia, "United States Postal Service, as of 5/16/08)

[ON THE US POSTAL SERVICE "CREED" :]

The **United States Postal Service** has no official **creed** or **motto**. Often falsely cited as such, "Neither snow nor rain nor heat nor gloom of night stays these couriers from the swift completion of their appointed rounds" is merely an inscription on the [James Farley Post Office](#) in New York City, derived from a quote from [Herodotus' Histories](#) (8.98), referring to the ancient courier service of the [Persian Empire](#):

It is said that as many days as there are in the whole journey, so many are the men and horses that stand along the road, each horse and man at the interval of a day's journey; and these are stayed neither by snow nor rain nor heat nor darkness from accomplishing their appointed course with all speed. (trans. A.D. Godley 1924)

In 2001, the [USPS](#) briefly embraced this unofficial motto with a stirring television advertisement. In the weeks following the [September 11 attacks](#), the Postal Service itself had been battered by [mailings of powdered anthrax](#), which claimed the lives of two postal employees and three other Americans, infected 17 others, and caused closings of several postal facilities.

In response, the USPS created a television commercial edited to [Carly Simon](#)'s soaring anthem, "Let The River Run." [1] The commercial featured no voiceover, only the following text interspersed on title cards:

We are mothers and fathers. And sons and daughters. Who every day go about our lives with duty, honor and pride. And neither snow, nor rain, nor heat, nor gloom of night, nor the winds of change, nor a nation challenged, will stay us from the swift completion of our appointed rounds. Ever.^[2]

(Wikipedia, “United States Postal Service creed”, 5/16/08)

[On the notion of Universal Service – Wikipedia has an article entry on this too!:]

In the [telecommunications](#) context, universal service refers to the practice of providing a baseline level of telecommunications services to every resident of a country.

The goal of universal service was codified in the [United States](#) in the [Telecommunications Act of 1996](#). According to this act, the goals are:

- to promote the availability of quality services at just, reasonable, and affordable rates
- to increase access to advanced telecommunications services throughout the Nation
- to advance the availability of such services to all consumers, including those in low income, rural, insular, and high cost areas at rates that are reasonably comparable to those charged in urban areas

Origins of the term "Universal Service"

It is tempting to believe that the concept of “universal service,” a guaranteed baseline level of [telephone service](#), has been a longstanding precept of US telecommunications policy. The preamble of the [Communications Act of 1934](#), declares that the purpose of the Act is “to make available, so far as possible, to all the people of the [United States](#), a rapid, efficient, Nation-wide, and world-wide wire and radio communication service with adequate facilities at reasonable charges.” The term “Universal Service” itself predates the 1934 Act, and was first coined by AT&T President [Theodore Vail](#) in a [1907](#) speech: “one system, one policy, universal service.” [Milton Mueller](#)'s scholarship has almost single handedly shown that Vail's “universal service” meant something much different than the current understanding.

For Vail, Universal Service was the opposite of Dual Service. In 1907, [AT&T](#)'s Bell companies competed for subscribers against hundreds of [independent telephone companies](#), though rarely more than one in a single market. The independent companies entered the market for telephone services when the original Bell telephone patents expired in January, [1894](#). The Bell companies' policy of focusing on business use, and thus connecting only major metropolitan centers left plenty of opportunities for independent telephone companies, particularly in smaller cities and for residential subscribers. For the most part, the telephone network of the Bell companies did not interconnect with the local independent companies' network: a subscriber on the AT&T network could not call a neighbor whose telephone service was provided by the local independent company, and vice versa. For customers such as businesses who needed to be available to customers on both networks, this meant paying for service from both telephone companies: dual service.

The idea of non-interconnecting telephone service seems unwieldy and redundant today, but at the time it had many advocates. Dual service meant that telephone companies competed on characteristics other than price alone, first and foremost, the scope of their network. This created incentives to reduce the cost of access, to interconnect with non-competing networks (usually in distant cities), and most importantly, to connect and provide service to underserved markets. A telephone company that offered connections to distant customers might be more attractive, particularly in a time of rapid rural-urban migration when many customers had family members in small rural towns. The market structure created incentives to wire the countryside. The result was that by 1920, while 30% of American households had telephone service, 38.7% of American farms had telephones. Telephone service was more common in the country than the city.

In this context, universal service was not about providing every home with telephone service at affordable rate: dual service was proving remarkably effective at this, as contemporary regulators were well aware. Instead, universal service was Vail's vision of ending the intense competition between Bell companies and independents, and submitting the resultant telephone monopoly to government regulation. Vail was certain that a government-regulated monopoly would be more profitable than competing with the independent phone companies. Universal service also convenient undercut the independent telephone companies' efforts to construct a long distance network that would compete against the lucrative Bell long distance network. By lobbying state governments to require interconnection, or by allowing independents to connect to the Bell network with liberal licensing terms, AT&T could undercut the profitability of the long distance intercity connections being built by the Independents. In some markets where independents had a commanding lead in the number of subscribers, establishing universal service meant conceding the market and selling out to the local

independent. By 1920, a combination of Bell company buyouts, regulatory change (under intense lobbying from the Bell companies) and competition had eliminated dual service, clearing the way for the Federal regulatory framework for telephony codified in the Communications Act of 1934. (Wikipedia, "Universal Service", 5/16/08)

[Lastly – in the interests of insuring a common understanding of terms:]

Deregulation, a term which gained widespread currency in the period 1970-2000, can be seen as a process by which governments remove, reduce, or simplify [restrictions](#) on [business](#) and individuals with the intent of encouraging the efficient operation of markets.

Overview

The stated rationale for 'deregulation' is often that fewer and simpler regulations will lead to a raised level of competitiveness, therefore higher [productivity](#), more [efficiency](#) and lower prices overall.

[Annotation on a picture that appears at this point in the article: As a result of deregulation, [France Télécom](#) operates phone booth in Wellington, New Zealand.]

Deregulation is different from [liberalization](#) because a liberalized market, while often having less and simpler regulations, can also have regulations in order to increase efficiency and protect [consumer's rights](#), one example being [anti-trust legislation](#). However, the terms are often used interchangeably within deregulated/liberalized industries.

A parallel development with 'deregulation' has been organized, ongoing programs to review regulatory initiatives with a view to minimizing, simplifying, and making more cost effective regulations. Such efforts, given impetus by the [Regulatory Flexibility Act](#) of 1980, are embodied in the United States Office of Management and Budget's [Office of Information and Regulatory Affairs](#), and the United Kingdom's [Better Regulation Commission](#). [Cost-benefit analysis](#) is frequently used in such reviews. In addition, there have been regulatory innovations, usually suggested by economists, such as [emissions trading](#). Academic research on wedding economic theory with regulatory activity continues.

One can distinguish between deregulation and [privatization](#). Privatization can be seen as taking state-owned service providers into the private sector. This can result in making the privatized enterprise more subject to market forces than was the state-owned entity. But the degree to which there is freedom to operate in the market and the extent of competitiveness in the market for the goods and services of the privatized entity or entities may depend on other measures taken in addition to privatization.

In some instances, partial privatization may be selected, where provision of some portion(s) of the state-owned service are provided by private-sector contractors, but the government retains the capacity to self-operate at contract intervals, if it so chooses. An example of partial privatization would be some forms of [school bus service contracting](#), such as arrangements where equipment and other resources purchased with government capital funds are used by the contractor for a period of time in providing services, but ownership is retained by the governmental unit. In such situations the arrangement can be seen as a sort of contracting out of functions for which the government takes responsibility.

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Case study: United States

The experience of the United States offers a broad view of modern deregulation, as many service industries were effectively deregulated beginning in 1971. Studies show that transportation deregulation has increased GDP by up to 3% annually.^[1] During deregulation of [Savings and Loan](#) associations, about \$160 billion was lost - \$124.6 billion by the US Government - and re-regulation was enacted. In the electricity area, the process is under debate due to setbacks like the [California energy crisis](#).

History of regulation

Many industries in the United States became regulated by the federal government in the late 19th and early 20th century. Entry to some markets was restricted in order to stimulate and protect the initial investment of private companies into infrastructure to provide "public" services, such as water, electric and communications utilities. With entry of competitors highly restricted, [monopoly](#) situations were created, necessitating price and economic controls to protect the public. Other forms of regulation were motivated by what was seen as corporate abuse of the public interest by businesses already extant, such as occurred with the [railroads](#) following the

era of the so-called [robber barons](#). In the first instance, as markets matured to where multiple providers could be financially viable offering similar services, prices determined by competition were seen as more favorable than those set by regulatory process.

One problem that encouraged deregulation was the way in which the regulated industries often controlled the government [regulatory agencies](#), using them to serve the industries' interests. Even where regulatory bodies started out functioning independently, a process known as [regulatory capture](#) often sees industry interests come to dominate those of the consumer. A similar pattern has been observed with the deregulation process, itself often effectively controlled by the regulated industries through lobbying the legislative process. Such political forces, however, exist in many other forms for other "special interest" groups.

Deregulation 1970-2000

'Deregulation' gained momentum in the 1970s, influenced by research at the [University of Chicago](#) and the theories of [Ludwig von Mises](#), [Friedrich von Hayek](#), and [Milton Friedman](#), among others. Two leading 'think tanks' in Washington, the [Brookings Institution](#) and the [American Enterprise Institute](#), were active in holding seminars and publishing studies advocating deregulatory initiatives throughout the 1970s and 1980s. [Alfred E. Kahn](#) played an unusual role in both publishing as an academic and participating in the Carter Administration's efforts to deregulate transportation.

The first comprehensive proposal to "deregulate" a major industry in the United States, transportation, originated in the [Richard Nixon](#) Administration and was forwarded to Congress in late 1971. [2] This proposal was initiated and developed by an interagency group in which the Council of Economic Advisors (represented by Hendrik Houthakker and Thomas Gale Moore), the White House Office of Consumer Affairs (represented by Jack Pearce), The Department of Justice, the Department of Transportation, The Department of Labor, and other agencies participated (Rose, et al, pp 152-160).

The proposal addressed both rail and truck transportation, but not air carriage. (92d Congress, Senate Bill 2842) The developers of this legislation in this Administration sought to cultivate support from commercial buyers of transportation services, consumer organizations, economists, and environmental organization leaders.(Rose, et al, pp 154-156) This 'civil society' coalition became a template for coalitions influential in efforts to deregulate trucking and air transport later in the decade.

After Nixon left office, the [Gerald Ford](#) presidency, with the allied interests, secured passage of the first significant change in regulatory policy in a pro-competitive direction, in the [Railroad Revitalization and Regulatory Reform Act of 1976](#), Pub. L. 94-210. President [Jimmy Carter](#) devoted substantial effort to transportation deregulation, and worked with Congressional and civil society leaders to pass the [Airline Deregulation Act](#) (October 24, 1978), [Staggers Rail Act](#) (signed October 14, 1980), and the [Motor Carrier Act of 1980](#) (signed July 1, 1980).

These were the major "deregulation" acts in transportation. They set the general conceptual and legislative framework which has replaced the regulatory systems put in place between the 1887 and the 1930s. The dominant common theme of these Acts, as evidenced in the articles individually treating these Acts in this encyclopedia, was to lessen [Barriers to entry](#) in transport markets and promote more independent, competitive pricing among transport service providers, substituting the freed-up competitive market forces for detailed regulatory control of entry, exit, and price making in transport markets. Thus the term 'deregulation' arose, though regulations to promote competition were put in place.

A series of enactments were needed substantially to work out the process of encouraging competition in transportation. Interstate buses were addressed in 1982, in the [Bus Regulatory Reform Act of 1982](#). Freight forwarders (freight aggregators) got more freedoms in the [Surface Freight Forwarder Deregulation Act of 1986](#). As many states continued to regulate the operations of motor carriers within their own state, the intrastate aspect of the trucking and bus industries was addressed in the [Federal Aviation Administration Authorization Act of 1994](#), which provided that "a State, political subdivision of a State, or political authority of 2 or more States may not enact or enforce a law, regulation, or other provision having the force and effect of law related to a price, route, or service of any motor carrier." 49 U.S.C. 14501(c)(1) (Supp. V 1999).

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The [Emergency Natural Gas Act](#) (signed February 2, 1977) was a mix of regulation in response to [OPEC](#) price hikes and deregulation and the [1973 oil crisis](#) in the U.S. The [Airline Deregulation Act](#) is also a notable example. Its reintroduction of competitive market forces to the heavily regulated commercial airline industry was highly successful.

Communications in the United States (and internationally) is an area in which both technology and regulatory policy have been in flux. Rapid development of computer and communications technology – particularly the internet – have increased the size and variety of communications offerings. One can see an emerging era in which wireless, traditional landline telephone, and cable companies increasingly invade each others' traditional markets and compete across a broad spectrum. The Federal Communications Commission

and Congress appear to be attempting to facilitate this evolution. In mainstream economic thinking, development of this competition would militate against detailed regulatory control of prices and service offerings, and hence favor 'deregulation' as to prices and entry into markets. See for this line of thinking Crandall, "Competition and Chaos – U.S. Telecommunications Since the 1996 Telecom Act", Brookings Institute, 2005. On the other hand, there exists substantial concern about concentration of media ownership resulting from relaxation of historic controls on media ownership designed to safeguard diversity of viewpoint and open discussion in the society, and about what some perceive as high prices in cable company offerings at this point. (Wikipedia, "Deregulation", 5/16/08)

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