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The Postal Service: One Hot Property

I have a proposal that would allow both the government and the people to benefit greatly from the stock market's growth. United Parcel Service's record-breaking IPO demonstrated that the company's market value was more than $80 billion. The U.S. Postal Service should be sold as well.

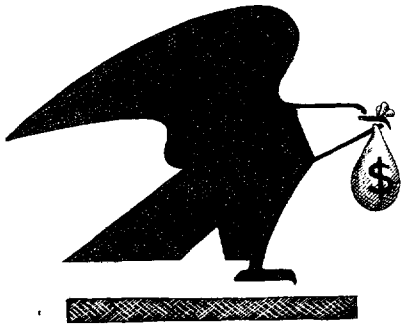
Why would a consumer advocate and liberal Democrat push to privatize the Postal Service with its 900,000 government employees? Simple: Because it would be the best way to save the institution from oblivion and put government resources to their most efficient and socially responsible use.

Only the market can determine what price the Postal Service could bring. But if UPS, with about one-third the revenue, is a benchmark then we can estimate federal coffers would benefit by more than $100 billion from the sale of the Postal Service. While it may not have the same reputation for profitable performance as UPS (by law it can only break even), the Postal Service's assets include real estate in the best parts of every city, a universal delivery network and a solid brand name.

In recent years the Postal Service has improved its service standards, polished its image and positioned itself to capture a significant share of the growing "e-tail" package delivery business. Although it would face stiff competition, its current monopoly position gives it "first mover advantage."

If, as now seems likely, the computer and banking industries implement integrated online bill-paying, the Postal Service could lose up to 30 percent of its mail revenues. Because this financial correspondence revenue pays for much of the Postal Service's overhead, postage rates will have to rise dramatically within a few years to make up for lost revenue. Unless the Postal Service can change its product mix and adapt to the rapidly changing world of electronic commerce, consumers will be paying substantially more for first-class stamps.

But under current law, any Postal Service idea for new, improved service takes up to 10 months to get approved (by the commission, of which I am a member), and in all rate proceedings, the Postal Service's costs and competitive strategies are laid bare for its competitors to see.



BY TIM BRINTON

Privatization would entail political tradeoffs. The postal unions cling to the job security the mail monopoly gives them, but to give the Postal Service the freedom to compete it would have to give up its letter monopoly. A win-win solution is to give postal employees stock in the new corporation—say 10 percent—and let them have the management voice they've always wanted. Employee ownership should spur productivity (which has been flat), make employees more amenable to technological innovation and encourage reasonable contract settlements. Unionized employees would have the right to strike once the letter monopoly was abolished.

Consumers would benefit from lower prices and better services, such as more retail outlets and expanded hours and days of operation. And business users would be able to easily contract for special services.

In addition to the one-time windfall, federal and state treasuries would have more funds for social programs. The new postal corporation would be subject to the federal corporate income tax (reaping about $1 billion annually) and state corporate and sales tax laws (about $3 billion annually).

Privatization would also make the Postal Service subject to the same laws that regulate other companies. Consumers would have more protections than now, because the Postal Service finally would be subject to truth-in-advertising, antitrust, local zoning and parking laws.

The industry would be regulated by a strong regulatory commission, perhaps the FCC, which would oversee fitness standards for postal operators to ensure privacy and security of the mails and mail depositories, and be empowered to provide funds for subsidizing and guaranteeing universal service if that should prove necessary. The Postal Service's historical properties could be preserved as well.

This proposal is in step with the deregulation of other utilities and of postal services all around the world. Numerous countries have reduced or eliminated their postal monopolies, turning national posts into semi-private or private corporations, and permitting or even encouraging diversification into related businesses such as logistics and transportation.

We can look upon the government-owned Postal Service as money Americans have been saving for a rainy day. After decades of investing billions in this non-interest-bearing account, isn't it time to put these resources to work in better ways?

The writer is a member of the Postal Rate Commission.