

Opinion

Ruth Y. Goldway: Why not a 40-cent stamp?

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This week, the first-class stamp price rose from 37 cents to 39 cents as part of a 5.4 percent across-the-board rate hike. This is the first increase in four years for the U.S. Postal Service, a nationwide, government-owned monopoly.

Rather than complaining, most people ask me: "Why not just raise the rate to an even 40 cents? A rounded number is simpler and it would delay the next increase." "What's a penny?" and "Do I really have to wait in long post office lines to buy 2-cent stamps, or new 39-cent stamps, wasting the postal clerk's and my time?" The public's primary concern is not so much the price of the stamp, but rather consumer inconvenience and disruption associated with a change in rates. (The average household spends \$6 a month on postage, according to Postal Service surveys.)

When, in 1970, Congress established the current U.S. Postal Service as an independent, government-owned monopoly, it also created the Postal Rate Commission, on which I serve, to regulate rates and mail classifications. The Postal Service presents rate requests to the commission for consideration and, after a formal process including public hearings, the commission sends its recommendations to the service's board of governors.

The commission ensures that the Postal Service meets the requirements of the law including these three primary principles:

- (1) The Postal Service must break even; it may not generate a surplus or suffer a loss.
- (2) Each rate class must pay for itself; so for example, the price set for advertising mail must cover its marginal costs and a fair part of overhead.
- (3) Overall, rates must be "fair and equitable."

The price of mailing an individual letter is the most visible aspect of a complex rate structure for the more than 200 billion letters, packages, periodicals, advertisements and other items mailed each year. Each penny increase generates about a billion dollars of net revenue, and since under current law the Postal Service must break even, an increase in first-class rates would cause lower rates for other mail types, such as unfair subsidies for advertising mail.

Large mailers who reduce Postal Service costs -- by performing mail-processing work such as sorting by destination -- already get cheaper rates. Postal rates must fit together like a jigsaw puzzle so that each class and subclass pays its fair share and the total is no more than the Postal Service needs.

As convenient as a 40-cent stamp might be for the average citizen, adding a penny either gives the Postal Service \$1 billion more than it needs or cuts the rates of the big mailers more than would be fair (which in turn adversely affects other parties, such as newspapers who compete for ad dollars with direct mailers).

The legislation my fellow commissioners and I operate under is 35 years old and doesn't provide the kind of market flexibility required for the innovative and efficient operation of the nation's postal system in the 21st century. Thoughtful, bipartisan legislation proposed by Sen. Susan Collins, R-Maine, and Sen. Thomas Carper, D-Del., last year would allow the Postal Service to accumulate capital, make a profit and set rates within the bounds of inflation at its own discretion.

As a balance, the new law would also give the Postal Rate Commission subpoena power, require improved financial disclosure by the Postal Service and make the service answerable to complaints filed at the commission. The legislation would make possible more consumer-friendly pricing. A sister bill was passed by an overwhelming margin last July. Unfortunately, the Collins-Carper bill has been held up by a small segment of mailers who believe the Postal Service will misuse its new flexibility, harming some users, and by certain unwarranted concerns about autonomy and governance expressed to Congress by the Postal Service board of governors.

As the commission commented in a response letter to Rep. John McHugh, R-N.Y., we do not believe that a government monopoly with the essential responsibilities and vast economic power of the Postal Service should function largely free from continuing independent oversight. (The monopoly would still maintain the power of eminent domain, be exempt from taxation and be immune from antitrust laws.) For example, cost attribution and accounting for a government monopoly must be overseen by independent, responsible entities to assure that cross-subsidization and predation among classes of mail and between competitive and monopoly products do not exist.

While the Postal Service might be opposed to the pending bill, which would balance greater operating and pricing flexibility with transparency, accountability and oversight, such balance is necessary to protect the public.

A new, more flexible system for adjusting rates is important to the future of the Postal Service. "Single piece" first-class mail, the kind sent to and from individual consumers, has been in steady decline at the rate of about 4 percent each year since 2001 and will continue to decline as e-mail and online bill payment become more pervasive.

Frequent, inconvenient rate changes can only speed this volume decline. In contrast, low-price, low-profit-margin advertising mail has been on the rise. The Postal Service should be focused on designing rates that will allow it to stimulate volume to help recover the costs of its nationwide network.

The Postal Service has made great strides in efficiency and service under the leadership of Postmaster General Jack Potter. It has ended each of the last five years with a surplus and is now debt-free.

However, as the mix of mail evolves, the mailing public and the Postal Service should embrace the avenues of change mapped by the proposed legislation as an opportunity, not as a threat. The Collins-Carper bill is expected to be voted on by the full Senate in February.

ABOUT THE WRITER:

Ruth Y. Goldway serves as a commissioner on the Postal Rate Commission. She was appointed in 1998 by President Clinton and reappointed by President Bush in 2002. The opinions expressed are her personal opinions and do not represent the official position of the Postal Rate Commission. Distributed by Knight Ridder/Tribune Information Services.