

POSTAL NEWS

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Economic Issues

March 15, 2011

1. Privatizing the U.S. Postal Service

Although the U.S. Postal Service (USPS) is often mistaken for a government-owned corporation such as Amtrak, it is an independent branch of the federal government. It is controlled by a board of governors and a postmaster general, and it is regulated by the Postal Regulatory Commission. The USPS is currently at a tipping point due to the combined effects of a large recent decline in volume and revenue that is projected to extend into the future, as well as increases in operating costs, according to Robert Carbaugh, a professor of economics, and Thomas Tenerelli, an assistant professor of economics, at Central Washington University.

Although the USPS has enacted an array of revenue-generating and cost-cutting activities, these measures likely are not sufficient to eliminate the gap between revenue and costs. Given the state of technology, privatization probably is the only long-term solution for the USPS. Simply put, the governance structure of the USPS is flawed, and its ability to realize commercial success is very limited.

Looking forward, there are several keys to successful liberalization of the USPS. First, it must be given the flexibility to adjust and adapt to market forces in the most cost-efficient and profitability-enhancing ways possible, including privatization. The second goal is to have effective antitrust regulation of the newly private post. The third goal is that any remaining postal monopoly must be clearly delineated. Lastly, the postal monopoly must be removed eventually.

Source: Robert Carbaugh and Thomas Tenerelli, "Restructuring the U.S. Postal Service," Cato Journal, Winter 2011.

2. Sri Lankan Postal Department To Suspend All Mail Deliveries To Tsunami Hit Japanese Areas

by Emanthi Marambe March 15, 2011

The Sri Lankan Postal Department had suspended all mail deliveries to the Tsunami hit Japanese Postal Code Areas of 00 to 09, 30 31 96 98 99 with immediate effect. This decision has taken after the Japanese Postal Department informed the Sri Lankan Posts that Mail Deliveries to the above Postal Code Areas have been suspended following the damage done by Tsunami .

The Post Master General MKB Dissanayake has appealed the public to avoid of sending Posts or packages to above Postal Code Number areas until further notice is given.

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3. Japan Still Accepting International Mail, Says U.S. Postal Service

Mailers Should Expect Significant Delivery Delays, Especially to Northern Japan

WASHINGTON, March 16, 2011 /PRNewswire-USNewswire/ -- Despite the tragic events as a result of the March 11th earthquake and tsunami, the postal administration of Japan continues to accept all types of international mail.

Mailers are advised, however, to expect delays in the delivery of all types of mail sent to Japan and in the transmission of information on Express Mail International items and Priority Mail International parcels. Significant delays could be experienced for items addressed to northern Japan, including Sapporo, Sendai, Hokkaido, Aomori, Akita, Iwate, Miyagi, Yamagata, Fukushima, and Ibaraki.

Additional information and updates regarding acceptance and movement of international mail to these areas are posted online at usps.com/communications/news/serviceupdates.

The Postal Service receives no tax dollars for operating expenses, and relies on the sale of postage, products and services to fund its operations.

A self-supporting government enterprise, the U.S. Postal Service is the only delivery service that reaches every address in the nation, 150 million residences, businesses and Post Office Boxes. The Postal Service receives no tax dollars for operating expenses, and relies on the sale of postage, products and services to fund its operations. With 32,000 retail locations and the most frequently visited website in the federal government, usps.com, the Postal Service has annual revenue of more than \$67 billion and delivers nearly 40 percent of the world's mail. If it were a private sector company, the U.S. Postal Service would rank 29th in the 2010 Fortune 500. Black Enterprise and Hispanic Business magazines ranked the Postal Service as a

leader in workforce diversity. The Postal Service has been named the Most Trusted Government Agency six consecutive years and the sixth Most Trusted Business in the nation by the Ponemon Institute.

SOURCE U.S. Postal Service

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4. Bailout Coming for the Postal Service?

Posted by Tad DeHaven

The U.S. Postal Service is in financial trouble. Undermined by advances in electronic communication, weighed down by excessive labor costs and operationally straitjacketed by Congress, the government's mail monopoly is running on fumes and faces large unfunded liabilities. Socialism apparently has its limits.

While the Europeans continue to shift away from government-run postal monopolies toward market liberalization, policymakers in the United States still have their heads stuck in the twentieth century. That means looking for an easy way out, which in Washington usually means a bailout.

Self-interested parties – including the postal unions, mailers, and postal management – have coalesced around the notion that the U.S. Treasury owes the USPS somewhere around \$50-\$75 billion. (Of course, “U.S. Treasury” is just another word for “taxpayers.”) Policymakers with responsibility for overseeing the USPS have introduced legislation that would require the Treasury to credit it with the money.

Explaining the background and validity of this claim is very complicated. Fortunately, Michael Schuyler, a seasoned expert on the USPS for the Institute for Research on the Economics of Taxation, has produced such a paper.

At issue is whether the USPS “unfairly” overpaid on pension obligations for particular employees under the long defunct Civil Service Retirement System. The USPS's inspector-general has concluded that the USPS is owed the money. The Office of Personnel Management, which administers the pensions of federal government employees, and its inspector-general have concluded otherwise. Again, it's complicated and Schuyler's paper should be read to understand the ins and outs.

Therefore, I'll simply conclude with Schuyler's take on what the transfer would mean for taxpayers:

Given the frighteningly large federal deficit and the mushrooming federal debt, a \$50-\$75 billion credit to the Postal Service and debit to the U.S. Treasury will be a difficult sell, politically and economically. Although some advocates of a \$50-\$70 billion transfer assert it would be "an internal transfer of surplus pension funds" that

would allow the Postal Service to fund promised retiree health benefits "at no cost to taxpayers," the reality is that the transfer would shift more obligations to Treasury, which would increase the already heavy burden on taxpayers, who ultimately pay Treasury's bills. (The Congressional Budget Office (CBO) prepares the official cost estimates for bills before Congress. Judging by how it has scored some earlier postal bills, CBO would undoubtedly report that the transfer would increase the federal budget deficit.) For those attempting to reduce the federal deficit, the transfer would be a \$50-\$70 billion setback.

Sounds like a bailout to me.

See this Cato essay for more on the U.S. Postal Service and why policymakers should be moving toward privatization.

Tad DeHaven • March 17, 2011 @ 3:48 pm

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*Collected by Chairul Anwar, Bandung, Indonesia.
E-mail address : chairulanwar49@operamail.com;
uyungchairul@plasa.com.;chairulanwar49@gmail.com*