



Can Universal Service Survive in the New Economy?

Imagine contracting out the job of the Postal Regulatory Commission. We could go out and hire five people to act as commissioners. If we gave them no health benefits, no pension benefits, no sick leave and no vacation, we would immediately save 25 to

30 percent of the costs of supporting our five current commissioners.

If we did the same for all the staff of the PRC—including all the lawyers and economists—we would end up saving 25 to 30 percent of the entire cost of the postal regulatory system.

What a great deal! Would it be better? I don't think so. Would it be more efficient? Of course not. Would it be cheaper? You betcha. But would it be the right thing to do? And would we have a better regulatory body. That really is the question that contracting out in the postal area brings to the surface.

I have spent a good part of the last two weeks boning up on postal history in preparation for the USO hearing here in Washington in July at which the LEAGUE will be testifying. I also just came from the public workshop that the commission held on the USO inquiry. It was very interesting and I will talk about it later on.

The first thing that needs to be discussed, however, is a point that Donna Edwards, the soon-to-be new congressman from Prince George's County in Maryland, made to me at a PAC lunch the other day. It concerns contracting out, an issue that hovers somewhere in the background of the USO study. The point she made was that while there is a time and a place for contracting out by the government when certain expertise is needed, much too much of contracting out has simply become a way to avoid having to pay for health insurance, pension benefits and vacation time. She mentioned how she had just recently heard one contractor bragging about how he got a job from a govern-

ment agency and was doing it for 25 to 30 percent less than the agency spent on it before, simply because he was paid no health, pension or sick leave benefits. That is more efficient? Imagine contracting out the job of the Postal Regulatory Commission (PRC). We could go out and hire five people to act as commissioners. If we gave them no health benefits, no pension benefits, no sick leave and no vacation, we would immediately save 25 to 30 percent of the costs of supporting our five current commissioners.

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Robert J. Brinkmann
LEAGUE Legislative Consultant
robert.brinkmann@rjbrinkmann.com

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- 2) reducing delivery to five days would have any significant effect on finances.**

That issue really didn't come up at today's public hearing at the PRC, although I was half-tempted to bring it up myself and give the example I just cited above. Discretion being the better part of valor, however, I decided not to do it. What I did mention was the necessity of the commission being very careful with its study, for the Postal Service is a very finely tuned and finely honed dynamic system.

Tinkering with it in the wrong way, even by making some minor changes, could have dire consequences if done incorrectly or in the wrong spot. That is something about which the commission is going to have to be very careful.

Many of the individuals who spoke addressed their own special interests. A number made the excellent point that no matter what happens, the system needs to offer universal and unctuous service at reasonable rates in order to be successful. I agree with that. Others also argued that rate-making and rate-allocation questions should not be a part of the inquiry. Other than to say that mail needs be affordable, I agree with that also.

I didn't bring up at this workshop the notion of protecting the small rural post office. The commission did that itself—and the LEAGUE will do that in the hearing when we appear before the PRC in July. The thing about the small rural post office issue is, however, that in the scope of the big picture, small post offices don't cost very much at all—several tenths of 1 percent of the entire Postal Service budget. Given the absolutely vital role that small rural post offices serve in rural America (and the fact that all rural congressmen know that), I am confident that the issue will come out just fine in the report. If closing small post offices would save several billion dollars, it might be a different matter.

Six-day delivery was also mentioned a great deal, but almost all who mentioned it supported it. Part of the problem with six-day delivery is that every time someone thinks of it, they assume it will save tens of billions of dollars if one day is eliminated. That is not true. One gentle-



men made the point in the hearing that when this issue last came up in the early 90s, the facts showed it would have only save \$400 million, a pittance in the larger view of postal infancies.

Another part of the problem is which day would one cut? Saturday? During the week? What would happen to the postal flow? Would it produce a gridlock? Those are complicated questions that are very controversial and implementation of the answers would seriously harm different elements in our society—a point that the workshop brought out as well.

The commission has a tough job ahead of it. One thing it can do is make it very, very clear in its final report that 1) neither the small post office issue nor 2) reducing delivery to five days would have any significant effect on finances. That would put to bed a lot of myths and make life easier for us on the Hill.

Finally, the other thing the commission needs to do is not to make any assumption about the future, and this commission (or at least its staff) is inclined to believe that in the magic of regression analysis, it can look into the crystal ball. It has tried to do that in the NSA area with absolutely disastrous and destructive results. It has to be careful not to do that again in this area.

Some people assume the postal system is dead. I don't, and I feel very strongly that it would be an enormous mistake to make that assumption. People have been prophesying the demise of the postal system since the late 1800s, when the telegraph service came into being. The same dynamic, however, always happened. The new technology came and stole some volume, but created more volume in its place. That might or might not happen now, but it would be a mistake to make any assumptions about the matter, either way.

Stay tuned and we will keep you informed. •