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Ever-advancing technology has led to massive fiscal losses at the U.S. Postal Service, which needs to adapt to these changes if it wishes to remain relevant.

It's time to bring the US postal system into the 21st century

USPS must adapt to new technology, or risk extinction

By *J. Morton Davis*

The United States Postal Service, an independent government agency that does not currently receive taxpayer dollars, lost \$8.5 billion in fiscal 2010. Based on first-quarter results, it is on track to lose almost \$10 billion this year.

USPS proposed almost a year ago changing a requirement, introduced in 2006, that it pay for the health benefits of its retirees in advance, instead of using a pay-as-you-go system. That requirement costs the service about \$5.5 billion annually. As mail volume continues to plunge, the Postal Service's losses are expected to balloon to at least \$33 billion over the next decade, if nothing is done to stop the bleeding.

It is nearing its \$15 billion borrowing limit, mandated by the U.S. Treasury, and has unfunded pension and retiree health obligations of approximately \$90 billion. If dramatic actions are not taken quickly, ever-larger losses are likely, indeed inevitable, and will have to be

absorbed by taxpayers.

It is past time to take action and bring the postal system into the 21st century.

A long time ago, when I was a kid, we had a penny postcard, and a stamp for a letter was 3 cents. There was also a rarely used "airmail" stamp that cost 10 cents. Where I lived in Brooklyn, mail was delivered twice a day, and the same was true of Manhattan. In those days mail was the highest priority: There was no email, text messaging or faxes, and hardly any homes had a phone. In a real emergency, someone came running from the corner drugstore to call us to the payphone. In the event of a birth or a death, when really fast communication was needed, one sent a Western Union telegram, which was terribly costly.

Today, besides everyone having a cellphone, we have a multitude of other communication technologies. A letter delivered by the USPS — so-called "snail mail" — rarely requires urgent delivery.

It would not matter much, and would certainly not be an intolerable hardship, if an ordinary letter took up to a week to deliver. For fast hand delivery, FedEx, UPS or the USPS's own Express Mail serve well. And the Postal Service could introduce a premium payment ser-

vice to accommodate any need for rapid delivery.

Enormous losses looming over taxpayers could readily be avoided by simply restructuring the Postal Service so that deliveries came only once or at most twice a week. In fact, there is absolutely no reason it couldn't be turned into a privately held, profit-oriented, public utility-type company with certain specified minimum service obligations. Fe-

and the available, convenient, instantaneous transmission of information in the United States. It's almost as if those responsible for running the system were unaware of the revolutionary progress taking place around them and were still using Morse code or carrier pigeons. Wake up and, instead of smelling the coffee, join the 21st century.

As Clayton Christensen proclaimed in her classic work,

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dEx and UPS are examples of how profitable this kind of consumer service can be.

FedEx's fast-growing e-commerce Smart Post drove its daily volume up 24 percent and its revenue per package up 8 percent. Amazingly, Smart Post involves shipping packages to the U.S. Postal Service, which in turn delivers them to residences. The USPS provides the critical, costly service, and FedEx realizes the profits.

It's mind-boggling that the Postal Service is still conducting its operations as it did more than 100 years ago despite all of the almost miraculous communication advances since then

"The Innovators Dilemma": "Successful companies ignore disruptive technologies at their own peril." It seems as if no one at the Postal Service ever read that.

As one would expect, there are mailing interests — such as credit card and insurance companies, which send notifications frequently to customers — that howl when reduced delivery is suggested, as though daily service were an inalienable right. Well, when I was a kid, milk, bread and even cake was delivered door to door. It was convenient, and we didn't like it when it stopped. Business must adapt or die.

Vociferous opponents of change, such as Sen. Susan Collins (R-Maine), and other lawmakers from rural states, oppose ending Saturday delivery (which, by the by, would trim only 2 percent from Postal Service costs). They argue that a cutback would be tough on people in small towns who receive prescriptions and newspapers by mail. But news is available on computers, phones and iPads. Prescriptions delivered once a week should generally be adequate, but if not, faster services are available.

Such considerations are hardly a reasonable basis for continuing an unsustainable service needed by fewer and fewer people. Progress has a price; ask all those buggy-whip tycoons. But, as Joseph Schumpeter, a Harvard professor of economics, noted, "creative destruction" makes technological advance possible.

Change is rarely accepted without complaint. But we get used to it, adjust, and our lives are often improved. In the case of the post office, acceptance is essential because its finances are a threat to taxpayers.

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