

ON THE POSTAL SERVICE

Address by Robert Morgan
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Sixth District Postmasters Association
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I appreciate having this opportunity to come here to Charlotte tonight, to speak to you on what I see are the problems facing the Postal Service, and what steps the Congress and Postal Service, working together, need to take.

Before I start, I would like to say a few words about what the Postal Service is, information I am sure you all are familiar with. 700,000 people work for the Post Office, making it one of the largest employers in the nation. It has an operating budget of \$17 billion, and last year moved 90 billion pieces of mail. As an employer, the Postal Service is unique, for it has representation in virtually every community in

the nation, maintaining 40,000 post offices. The thousands of rural letter carriers provide a unique service in bringing thousands of isolated farms together and providing farmers and other rural people with daily contact with the outside world.

One hears many complaints about the Postal Service, but considering how large the organization is, and how much it must do, it does a good job. The mail moves reasonably rapidly. Postal rates are lower than in any other developed country, except Canada. A report commissioned by the Congress, issued last year, concluded that the Postal Service is "providing comprehensive and generally acceptable service at reasonable rates."

But the Postal Service has a problem: great and increasing public dissatisfaction. This is a serious problem which is

leading to fewer people using the mail, and is a problem which the Congress and the Postal Service need to solve.

Public dissatisfaction exists for two basic reasons.

The first complaint is what the public sees as the high and increasing cost of sending mail.

The second complaint concerns the attempts of the Postal Service, in order to cut costs, to reduce service in some cases. Proposals to close the smaller post offices and to end six-day delivery are being advocated. I am opposed to both these measures, because I feel both the small post offices and six-day delivery are valuable public services which need to be maintained. Fortunately, most of the Congress agrees. But these cost-cutting measures have left the public with the impression that the Post Office wants to both raise rates and cut service.

The high public dissatisfaction that exists with the postal system is serious, because of increasing competition from the electronic communications industry. There were 52 billion pieces of first class mail, but only 20 percent of the messages between people were by mail. Most all of the rest went by telephone.

Telephones are constantly getting both more versatile and cheaper. More and more things can be done by telephone. Computers talk to each other by phone. People used to order goods by mail, now they do it by telephone. Businessmen and government workers used to communicate with each other by mail. Now, they are doing it by phone. Transferring money used to have to be done by mail, but now it is beginning to be done electronically. Today, 15 percent of all Treasury Department

checks are being electronically transmitted to banks, and by 1985, it is estimated that 75 percent of all Treasury checks will be sent this way.

The problem is that as technology improves, the highly complex parts electronic communications systems need are becoming cheaper, while, largely because of inflation, labor costs keep going up. And the Postal Service is labor intensive, and will probably always be so.

80 percent of all first class mail is business related, and it will, in the future, be possible to do much of this electronically. Postal volume dropped in 1978, and this might be the beginning of a trend.

As mail volume drops, the price of sending the remaining mail will become higher. And one gets into a vicious cycle,

where the rates go up, less mail is sent, rates go up again, and still less mail is sent.

Electronic communications is a threat to the Postal Service, and we all need to begin to figure out how to deal with it. The Postal Service has to determine exactly what its mailstream consists of, and what it might lose to electronic communications. Research is needed to determine what role the Postal Service could have in electronic communications itself. Short-term and long-term solutions to this problem must be found, and soon. Procrastination in dealing with this problem will only make it more serious.

Also important is the need to reduce public dissatisfaction with the postal system. How can we go about this?

This first step is to once again make the Congress and

the President responsible for Postal Service operations. We experimented with the idea of having the Postal Service be an independent public corporation, and it has not worked too well. Since Congress is involved with almost every aspect of postal operations anyway, it would be well to give the government the explicit authority and responsibility for this.

But public involvement in postal operations should also take place at a lower level. Postmasters, especially those in small post offices, should come from the local area as much as possible. Locally chosen postmasters know the people they must serve, and are more aware of the special needs and problems of the area.

When the Postal Service feels it is important to close a post office, or to change rural routes, the people who will be

affected should be informed and consulted. For a farmer to be placed on a new rural delivery route is a change in address, and often a change in orientation. It is a big change, and it should not simply be forced on him.

It is also important to control the cost of operating the postal system. We simply have to stop the rates from continually going up. One way to do this is to give postmasters financial incentives for cutting costs without cutting service. This step will not work unless postmasters also have more authority and flexibility, so they can make good changes more easily. It should be easier for a postmaster to shift working hours and to hire non-career part-time employees as the workloads require.

I have been told that a postmaster who makes a good change which goes against the letter of the rules, as laid down in the

Postal Service operating manual, gets in trouble, and this is just wrong.

Construction and leasing costs paid by the Post Office are almost twice the cost paid by the private sector in similar regions for similar space. Freight charges paid to airlines are more than the charges paid by the private sector. Not all of this is the fault of the Post Office. Quite a bit of the problem can be attributed to the Congress, and the problem will not be solved unless the Congress helps.

Another area that requires cost control is wages. I recognize the problems caused by inflation and higher taxes, and the postal employees must not be made to suffer hardship because of these. However, wages have been increasing faster than the rate of inflation, and in addition, the average grade of

postal employees is rising. Today, postal employees make more money than workers in both the private sector and in the federal government with similar jobs.

Over 86 percent of the postal operating costs are labor, and this percentage has been rising steadily. This must be controlled, or the Postal Service will be priced out of the communications market.

Finally, we must recognize the need for some federal subsidy for the Postal Service. The Service cannot be run on a break-even basis, as a business. It is impossible, for the Postal Service is required to perform too many services for the benefit of the public, services which cost money. These have to be paid for.

Many people have suggested that there be a flat percentage

subsidy of postal operations. A ten percent subsidy has been suggested by some, fifteen percent by others, and even eighteen percent by a few people. This is the wrong way to go about calculating the subsidy, and does not do justice to the Postal Service. It is also not the most fiscally responsible manner in which this could be done.

The Congress and the Postal Service need to sit down together, and figure out what public services are provided and how much money is lost as a result.

A great many public services are provided, more than most people are generally aware of. Six-day delivery, which cannot be justified from a fiscal viewpoint, is a valuable public service. Another important service is the many small post offices, most of which lose money. A private company operating

the Postal Service would probably have between ten and fifteen thousand post offices. That means there are almost 30,000 valuable small post offices, which provide a service and need to be maintained.

Post offices perform service for many other government agencies, such as selling bonds for the Treasury Department, and this costs money. Then there is subsidized mail. The Congress sends their mail for nothing, and executive agencies getting greatly reduced prices. Reading material is sent at lower rates, as is material for non-profit organizations, and some for the handicapped and blind.

The Congress has established the way in which freight charges paid to airlines are calculated, and as a result the Postal Service must pay more for shipping than a private company.

In a sense, this is a public service, and if Congress does not change the law, then a subsidy should be received for this.

What I am proposing is that we figure out how much each and every public service costs, and provide a subsidy equal to the total amount. This is the fiscally responsible way to do it and I believe it would provide a large and justifiable subsidy, but it would also help inform the public about how much the Postal Service is really doing for them.

Because of the many dedicated postal employees, the Postal Service has been doing a good job. But it has to do a better job. With cooperation between all of you and Congress, doing a better job will be possible.