

ON THE POSTAL SERVICE

Address by Robert Morgan
United States Senator
Fourth District Postmasters Convention
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I appreciate having this opportunity to come here to
Wilmington ~~tonight~~ ^{today}, 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.

There is no need for me to speak to you about the
importance of Postal Service. 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 repre-
sentation in virtually every community in the nation,

maintaining over 30,000 post offices. The thousands of rural letter carriers provide a unique service in bringing 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 and reliably. 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, and I quote, "providing comprehensive and generally acceptable service at reasonable rates."

But, generally acceptable service at reasonable rates is not the same as excellent service for a good price.

The Postal Service can do a better job, it is going to have to do a better job.

The public is becoming increasingly dissatisfied with postal operations. The reason for this feeling can be boiled down into one simple statement. People believe, and with some justification, that they are paying higher and higher prices for declining service.

Part of this feeling stems from the attempt to run the Postal Service as a business, rather than recognizing it for what it is: a public service. Pretending the Postal Service should be a business has led to some misguided

attempts to control costs by closing smaller post offices and ending six-day delivery. I call these attempts misguided because they did not take into account the role the Postal Service plays in the lives of many individuals and many communities. Fortunately, public opposition has prevented these measures from being implemented, but they have left the people with bad impressions.

Increasing public dissatisfaction and rapidly rising postal rates are serious because the Postal Service is facing increasing competition from other types of communications, especially electronic communications. Already this competition is quite serious. While there were 52 billion pieces of first class mail last year, only 20 percent of

the messages between people were by mail. Most of the rest went by telephone.

Telephones are constantly getting both more versatile and cheaper. Computers now communicate by phone. Mail-order houses receive most of their orders over toll-free numbers, rather than by mail. Businessmen and government workers communicate almost exclusively by phone unless an official record of the communication is necessary.

Electronic funds transfer systems are an increasing source of competition. 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. However, I still receive my paycheck through the mail.

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.

Eighty 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 many feel this is 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 and should 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 improve postal operations.

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 most aspects of postal operations anyway, it would be well to give the government the explicit authority and, more important, the 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. This type of consulting is being done in a better fashion than it was several years ago.

It is crucial 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. If this is true, it is simply ridiculous. The manual should provide guidelines, not substitute for the exercise of good judgement.

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. Much of the problem can be attributed to the Congress which, for example, mandated the procedure for establishing

air freight charges. In effect the Postal Service is subsidizing domestic airlines. I do not believe this is an appropriate function of the Postal Service.

Finally, we have to control the cost of labor. I recognize the problems caused by inflation and higher taxes, and postal employees should not be made to suffer unnecessary hardship. But over 86 percent of postal operating costs are labor.

Both the labor costs themselves, and their percentage of the total, have been rising steadily in recent years. If this is not controlled, the Postal Service will be priced right out of the communications market, with or without a government subsidy.

Wages have been increasing much faster than the rate

of inflation in recent years, and in addition, the average grade of postal employees is rising. Today, postal employees make more money than workers in both the private sector or the federal government with similar jobs. To be blunt, in the long run it is better to accept a slightly lower pay increase than be out of a job.

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

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 to make a profit would probably have between ten and fifteen thousand post offices, instead of over 30,000. These small post offices provide a valuable service and need to be maintained.

Post Offices provide many miscellaneous federal services. They act as depositories of flags for veterans' funerals, assist in the collection of revenues for the Customs Bureau, post FBI wanted posters, distribute federal income tax and alien registration forms, and sell migratory bird-hunting stamps.

A great deal of mail is sent free of charge or at greatly reduced rates, primarily by newspaper and magazine publishers, certain nonprofit organizations, and the blind.

As I mentioned earlier, the Post Office is required to pay more to ship freight by air than private companies. If Congress does not change this law, then the Postal Service needs to receive a subsidy for this.

Many people have suggested that the postal subsidy be a flat percentage of operating costs. Some have suggested a 10 percent subsidy, others a 15 percent subsidy, and a few have even suggested an 18 percent subsidy.

I cannot support a flat percentage subsidy. I feel that that is fiscally irresponsible, and can only encourage additional waste in postal operations.

There is a better way to go about calculating the proper subsidy. What we need to do is 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. I believe it would provide a large and justifiable subsidy but, more important, it would also help inform the public about how much the Postal Service is really doing for them. I suggested this approach several months ago, and I am glad to see that Senator Glenn has incorporated it into the Postal Reform bill he recently introduced.

In spite of many obstacles, the Postal Service has been doing a reasonably good job because of its many dedicated employees. But, it has to do better. With

cooperation between all of you and Congress, doing a better
job will be possible.