

# Postal Service Reform

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As a person who led the Mailing Industry CEO Council for 6 1/2 years and was a key advocate for the reform legislation enacted into law at the end of 2006, I was quite interested in this article in *Politico* by Kevin Kosar.

<https://www.politico.com/news/agenda/2020/04/16/the-right-way-to-bail-out-the-post-office-190271>

I agree with some of his recommendations, believe that others, while meritorious, are "dead on arrival" and that others are not workable. This is an excellent piece on a very serious problem, because the Postal Service is a vital asset to our country and to the world at large, given its big role in cross-border commerce. I believe strongly that the Postal Service is a legitimately well-respected institution that has done a heroic job under extremely adverse conditions. Its leaders and employees are not given enough for the highly professional way they do their jobs every day, especially in crises like these.

These are my comments on his recommendations:

- **Getting a special appropriation to be ready to deliver medical supplies in the event of a national disaster.**

I agree with this. This is what Congress did in response to the anthrax bioterrorism crisis, since, as we noted, the Postal Service was forced to screen and quarantine mail, something it had not been required to do previously. Its mission expanded, so its funding expanded accordingly.

- **The USPS should be authorized to invest some of the more than \$40 billion in its retiree health benefits fund in index funds.**

I agree with this recommendation as well. In 2002, the CEO Council prodded the Postal Service, which is off budget, to take a closer look at its retirement benefits contribution requirements. It found that it had been credited with far lower income since the mid-1970's than it should have

received. The cumulative overpayment was \$78 billion. Congress and the White House would only return the overpayment if they could include it in a comprehensive postal reform law in which there could be a budget-neutral outcome. In 2006, the money was returned, but the Postal Service was required to pre-fund its retiree medical obligation in 10 years, an accelerated schedule. Why ten years? The Congressional Budget could declare the law to be "budget-neutral" if the outflows and inflows to the on-budget Civil Service Retirement System from the off-budget Postal Service matched at the end of 10 years.

- **The USPS should be authorized to raise its prices a little more — after the Covid-19 economic downturn ends.**

I disagree with this one. The reason price increases were limited to CPI is that much of the volume of mail is very price-sensitive. The industry consensus is that price decreases would have maximized revenue, but compromised at CPI, because the Postal Service had labor cost increases. Direct marketing mail, periodicals, and transaction mail go up or down based on prices. The goal is to maximize total revenues, not the revenue from each piece. The CPI limit was as high an aggregate price increase that would enable the Postal Service to preserve or maximize revenues.

- **The postal service should be free to choose to stop delivering paper mail six days a week — once all the stimulus checks are in the public's hands.**

Mr. Kosar is directionally correct, but his approach is too much of a "one-size-fits-all" solution. Mail recipients should determine the frequency of delivery, not Congress. Mail recipients would want 6-day-a-week delivery of checks, periodicals, greeting cards, and personal correspondence. They want direct mail and catalogues on a selective basis. They particularly want the ability to access an easy-to-use "Do Not Mail" registry, for all mail they do not want to receive.

The Postal Service has a relatively new service called "Informed Delivery" that enables mail recipients to preview the mail they are supposed to receive that day. It is only one additional step to have mail they do not want to receive thrown away before it is delivered. The Postal Service could operate with a small group of letter carriers if mail were out-sorted before delivery. What would also be helpful is for mailers to know who no longer wants their direct marketing solicitations. They would no longer need to prepare as much mail and could secure much higher response rates.

Postal rate structures would have to be modified to enable lower rates from mail that is more finely sorted this way, but that is a fixable problem.

- **The Postal Service should reduce its compensation costs by buyouts**

This is a desirable objective, but it would be "dead on arrival" because members of Congress and postal unions (there are four of them) would see this as a direct attack on them. It is easy to blame the unions, but facilities closures and work process efficiency improvements draw more

fire from members of Congress and local mayors and governors. The Postal Service is a major and well-respected employer in many communities. The appetite for cutting and slashing its labor force is not likely to be there, especially in Congress.

- **The Treasury should forgive the USPS' present debt, which is around \$10 billion.**

I agree with this recommendation. Over its 51-year history since it became an off-budget corporation, the Postal Service has been loaded with many excess expenses and entitlements to help various Congresses reduce budget deficits. This usually meant that Postal Service debt was increased dollar-for-dollar with a reduction in federal government debt. It is probably far in excess of the \$10 billion he recommends in debt forgiveness.

- **The law should be amended to require that collective bargaining decisions consider the financial health of the USPS.**

This is a no-brainer. It is shocking that arbitrators are not able to take the financial health of the organization into effect. The labor unions have objected, but this is hard to defend.

I would also suggest the following:

- Voting by mail should expand. President Trump is right that the way this is implemented in many states create too many opportunities for cheating. However, that does not have to be the case. Pitney Bowes developed a highly secure vote-by-mail solution called Relia-Vote, which has been the secure solution of choice for many states and counties, including some which had serious vote process issues, like Palm Beach County, Florida. Pitney Bowes sold that business, but the division offering Relia-Vote, BlueCrest, still offers Relia-Vote. This will significantly increase Postal Service revenues.
- The Postal Service has been a major deliverer of packages. The world is moving toward more e-commerce and away from bricks-and-mortar retail. The Postal Service has the potential to adapt and grow to take advantage of this fast-growing market. The increased interest in personal protective equipment, which will outlast the short-term Covid19 crisis, will create a potentially lucrative long-term revenue stream. The Postal Service has a large delivery network, by far the largest because of its suburban, small town and rural reach. It needs to figure out how to leverage that network better.

The Postal Service's biggest problem is the degree to which it is not free to operate as an "independent establishment of the federal government." Its history, since this status was created by the 1969 postal reform legislation, has been anything but "independent."