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## Post Office Forced To Rethink Model In Digital Age

by Brian Naylor

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Neither snow, nor rain, nor heat, nor gloom of night can change the fact that the 21st century has not been kind to the U.S. Postal Service. These days, we pay our bills, invite friends to parties and read magazines mostly online.

Meanwhile, the recession has led companies to cut back on the ads and catalogs they fill our mailboxes with. The Postal Service lost \$3.8 billion in fiscal year 2009, and the red ink is projected to add up to an astounding \$238 billion in 10 years if nothing is done.

But Postmaster General John Potter says plenty can be done — and he has proposed changes that include closing some post offices and eliminating one day of mail delivery a week.

### Closing Some Branches, Expanding Reach Of Others

The first steps would include shutting down some of the nation's 32,000 post offices, most of which lose money.

"Were not talking about [the] wholesale closing of every post office in America," Potter says. "We're talking about giving management the choice to make decisions that are in the best interest of consumers."

There are more post offices in the U.S. than there are McDonald's, Starbucks, Walmart and Walgreens stores combined. Yet the average post office has 600 customers a week, while the average supermarket has 20,000.

Potter would like to see postal services provided in places like grocery and office-supply stores.



Letter carrier Kevin Pownall delivers mail in Philadelphia. The U.S. Postal Service is considering reducing its six days of home delivery as a cost-saving measure.

*Photo credit: Matt Rourke/AP*

## Reduced Delivery Days

Potter would also like to deliver the mail a little less often than the six days a week the postman now rings. That could mean no more deliveries on Saturday.

"The amount of mail that we deliver every day to each address is going down," Potter says. "And going to every address is a fixed cost. And so as the volume declines the only way to address that cost is to reduce the frequency of delivery."

## Pension And Health Demands

Potter outlined his plans in a briefing for reporters after three national consultants analyzed the post office business in the United States. It's not a pretty picture — just about every revenue stream is going down, while every cost is going up.

In addition to the recession and the Internet, there's a big problem created by Congress: It ordered the U.S. Postal Service to prepay its future retirees' pension and health benefits. That's a cost of more than \$5 billion a year.

Sen. Thomas Carper (D-DE), who chairs a Senate subcommittee on the post office, says the pension prepayments are a major cause of the Postal Service's red ink.

"We shouldn't ask the Postal Service what we ask of no other state and local government and, as far as I know, no other business enterprise to do — and that is to upfront set aside enormous amounts of money to meet health care needs of potential pensioners," he adds.

## Increasing Rates

The Postal Service could and probably will raise its rates. Potter says it's not covering costs right now on some mail it delivers, such as magazines. But the danger is that too big a rate hike could chase away more customers.

"We could actually hurt our business going forward and begin to have the Postal Service spiral into the ground," Potter warns. "So we want to be very judicious about using that tool."

While postal regulators are likely to approve a rate hike, it will be up to Congress to authorize the proposed changes in the number of delivery days and closing of post offices.

In the past, that's been a tough sell, especially to lawmakers who represent rural districts and who fear some small towns could lose their community centers. Potter hopes that the new data will persuade lawmakers to act to "protect the service that America has grown to love."