

THE POSTAL SUBSIDY: THE NEED TO CONTINUE FUNDING OF THE POSTAL SERVICE

INTRODUCTION

The United States Postal Service (USPS) and postal financing rank high among government programs that are misunderstood and confusing to the public. The USPS is a public service and, some contend, a big business; its position is unique in comparison to other government-subsidized public services. Confusion about the role of the Postal Service increased with the enactment of the Postal Reorganization Act,¹ which provided for the reorganization of the Post Office Department (POD) into the USPS. The POD had been viewed primarily as a public service entity; however, its offspring, the USPS, soon came to be seen as a wholly independent business, capable of surviving on its own without the aid of federal tax dollars.² The truth lies somewhere between the two extremes with respect to this unique entity.

This note will examine the Postal Service both as a public service and as an independent business. It will discuss the postal subsidy and examine what the government asks in return for the appropriation. The effect of an additional appropriations cut will be explored. This note will demonstrate that the Postal Service has been, for the most part, successful in performing its primary functions; it will recommend that now is not an appropriate time to call for such cuts.

BACKGROUND OF GOVERNMENT INVOLVEMENT IN POSTAL SERVICES

Historically, the post office has been a public service subject to controversy. Controversy has centered around government control and use of the service. America's first regular service route, the Boston Post Road, achieved its goal of offering the public delivery and return within the month. Charges, calculated per mile and paid by the recipient, were generally based upon the maximum rate that users could pay.³ These charges, coupled with the government subsidy and mandatory public labor on the road itself,⁴ marked the beginning of the

1. Postal Reorganization Act of 1970, Pub. L. No. 91-375, § 2, 84 Stat. 719 (1970) (codified at 39 U.S.C. (1976)).
2. H.R. REP. NO. 1104, 91st Cong., 2d Sess. 16-17 (1970) [hereinafter cited as H.R. REP. NO. 1104].
3. Postriders were paid a salary by the governor, plus whatever additional rates they could collect from carrying letters and small packages. Governor Lovelace of New York termed such compensation "a handsome livelihood." Robins, *On the Boston Post Road*, AM. HIST. ILLUSTRATED, May 1978, at 20-21.
4. Days of work were to be allocated between "town ways" and the King's Highway. Most men

postal service controversy.⁵ The Continental Congress maintained many of the earlier practices, including the custom of free mailings for government officials and members of the Continental Army.⁶ The framers of the Constitution placed the post office under the auspices of the new central government,⁷ where it remains today. Many of the same problems that plagued the post office in colonial times remain unsolved.

Congress created the Post Office Department,⁸ which, as a function of the central government, was reliant on it for funding and operation.⁹ Problems have continually plagued the Post Office Department. In June of 1968, the President's Commission on Postal Reorganization (the Kappel Commission) cited several shortcomings as the Post Office's more serious problems. Antiquated personnel practices, including poor working conditions, lack of advancement opportunities, inadequate training, and poor supervision, had resulted in one of the lowest productivity rates in the nation. Lack of capital improvements, modernization, and mechanization caused most postal work to be accomplished through manual sorting and carrying of the mail. The Post Office's financial structure, while suitable for ordinary government agencies, was not suitable for a business, which the Commission found the Post Office to be.¹⁰ After the extensive report by the Kappel Commission, Congress held hearings in early 1970 and reorganized the POD into the USPS.¹¹

There was no doubt that the former POD was in need of reform. As stated in the Reorganization Act itself, "Not a single witness who appeared before the committee argued that the Post Office should be continued without change."¹² The unanimity about the need for change was in sharp contrast to the variety of suggestions for achieving the necessary change. The Act incorporated many of these, including those from the Kappel Commission, but did not form the government corporation proposed by the Commission. Rather, "an independent establishment within the executive branch" was created.¹³ It was hoped this action would result in a postal organization which, above all, would no longer be plagued by huge yearly deficits.¹⁴ A matter of dis-

paid others to do their work, and work was generally done on the "town ways" first. *Id.* at 25.

5. The colonists complained bitterly about the use of the post office and stamps to raise monies for the English Crown. The Post Office was seen as "a grievous instrument of taxation." A. HARLOW, *OLD POST BAGS* 258 (1928).
6. *See id.* at 265-67.
7. U.S. CONST. art. I, § 8.
8. Postal Policy Act of 1958, 39 U.S.C. § 1 (1958).
9. PRESIDENT'S COMM'N ON POSTAL ORGANIZATION, *TOWARDS POSTAL EXCELLENCE* 48-50 (1968) [hereinafter cited as KAPPEL COMM'N REP.].
10. *Id.* at 15-23.
11. 39 U.S.C. § 201 (1976).
12. H.R. REP. NO. 1104, *supra* note 2, at 4.
13. *Id.* at 6.
14. KAPPEL COMM'N REP., *supra* note 9, at 24-25.

pute concerns the success of the USPS in surmounting its inherited internal difficulties and in achieving its legislatively mandated goals.

THE POSTAL SUBSIDY

Critics of the Postal Service have focused their attack on the postal subsidy. Commentators and columnists across the country have joined in suggesting not only that the subsidy be cut but that the USPS itself be "killed."¹⁵ Before the postal subsidy is dismantled, whether partially or totally, a second look is warranted. The nature of the government funds contributed to the USPS and the reasons for financial support must be thoroughly examined.

Government subsidy of the USPS reflects past policies under which the former POD was funded. The abolishment of the POD and subsequent creation of the USPS did not magically alleviate then existing problems. The USPS did not begin with a "clean slate." It inherited a multitude of problems, including low morale and productivity, lack of modern equipment and operational methods, and a balance sheet that was a financial nightmare. This background must be considered in any examination of the still infant USPS.

First, it should be noted that since 1970, government appropriations to the USPS have decreased. This trend is expected to continue in the future.¹⁶ The Reorganization Act provided for the public service subsidy of the USPS in fiscal years 1972-1979 to equal ten percent of the subsidy given to the POD in Fiscal 1971. Beginning with Fiscal 1980, the percentage will decrease one percent each year until it reaches, in fiscal year 1984, five percent of the subsidy of Fiscal 1971.¹⁷ The result in Fiscal 1980 was a public service appropriation to the USPS of 828 million dollars, in an overall operating budget of 19.4 billion dollars.¹⁸

In addition to the public service appropriation, the Postal Service receives a "revenue forgone" appropriation.¹⁹ In reality, this is no more than a reimbursement to the USPS for revenues not collected (or "forgone") by the USPS due to government regulations mandating that the USPS provide either reduced rates or free service to various individuals and groups. For example, Congress, by law, has required the USPS to reduce mailing rates for libraries, non-profit organizations, the blind and handicapped, and other groups taking advantage of second-class mail rates. In Fiscal 1980, the total amount of the revenue forgone appropriation equaled 782.1 million dollars, including a prior

15. *E.g.*, Chicago Tribune, Feb. 21, 1981, § 1, at 10, col. 1.

16. The Reorganization Act requires the public service appropriation to decrease each year from Fiscal 1980 to Fiscal 1984. 39 U.S.C. § 2401(b)(1) (1976).

17. 39 U.S.C. § 2401(b)(1) (1976).

18. [1980] POSTMASTER GEN. ANN. REP. 1 [hereinafter cited as 1980 REPORT].

19. 39 U.S.C. § 2401(c) (1976).

20. Congress chose to retain the right to legislate which groups will receive reduced rate mailings, as long as it appropriated funds for such reductions. H.R. REP. NO. 1104, *supra* note 2, at 18.

year adjustment of 46.7 million dollars.²¹

Adding the public service and revenue forgone appropriations together results in total government appropriations to the USPS of 1.6 billion dollars, only four percent of the total USPS budget in fiscal year 1980. This is a decrease of 6.4% from the total postal subsidy for fiscal year 1979 of 1.7 billion dollars.²² With current inflation rates and the mandatory reduction of the public service appropriation over the next four fiscal years, this total percentage will fall to still lower levels.

POSTAL SERVICES AND TRENDS

While justifications for the revenue forgone appropriation are fairly apparent, the basis for the public service appropriation is not as evident. The purpose of the public service appropriation is to reimburse the USPS for the cost of nationwide service and delivery, particularly in areas where post offices are not self-sustaining.²³ From the inception of the public service appropriation, some have argued that these amounts are unnecessary and that, in fact, the Postal Service does not lose money in providing such services.²⁴

Congress clearly enounced what services are to be rendered by the USPS; these include regular service to rural areas and the retention of small post offices, regardless of whether such offices show a profit.²⁵ The question then becomes one of how much service is actually rendered to such areas. The USPS recently published facts on the efforts required to provide these services. It must cope with operating both rural post offices staffed with only one person and facilities, such as the Chicago Post Office, with 17,000 employees and an eight-lane highway under its roof. The USPS must operate in such places as Death Valley,

21. 1980 REPORT, *supra* note 10, at 25.

22. 1980 REPORT, *supra* note 10, at 1.

23. As reimbursement to the Postal Service for public service costs incurred by it in providing a maximum degree of effective and regular postal service nationwide, in communities where post offices may not be deemed self-sustaining, as elsewhere, there are authorized to be appropriated to the Postal Service the following amounts:

39 U.S.C. § 2401(b)(1) (1976).

24. For a summary of the various theories and arguments supporting the view that these services do not operate at a loss, see generally Note, *The Postal Reorganization Act: A Case Study of Regulated Industry Reforms*, 58 VA. L. REV. 1030 (1972) [hereinafter cited as *Case Study*].

25. The United States Postal Service shall be operated as a basic and fundamental service provided to the people by the government of the United States, authorized by the Constitution, created by Act of Congress, and supported by the people. The Postal Service shall have as its basic function the obligation to provide postal services to bind the Nation together . . . and shall render postal services to all communities. The costs of establishing and maintaining the Postal Service shall not be apportioned to impair the overall value of such service to the people.

The Postal Service shall provide a maximum degree of effective and regular postal services to rural areas, communities, and small towns where post offices are not self-sustaining. No small post office shall be closed solely for operating at a deficit, it being the specific intent of the Congress that effective postal services be insured to residents of both urban and rural communities.

39 U.S.C. § 101(a) & (b) (1976) (emphasis added); see also H.R. REP. NO. 1104, *supra* note 2, at 19-20.

California, and Wainwright, Alaska, providing these areas with "efficient" and "regular" service. Not only must it keep a fleet of 203,436 vehicles rolling on a daily basis, but it must maintain a horse-mounted carrier to deliver mail in an area where vehicles cannot be used.²⁶ Obviously, the USPS is faced with the management headaches of both big business and small business.

The federal government has done its share in continuing to increase the public services provided by the Postal Service, as witnessed by President Carter's call for draft registration at local post offices.²⁷ Americans are familiar with, and take advantage of, other services provided by the USPS, such as the processing of passport applications and the handling of commemorative medals, stamps, and other philatelic services.²⁸ The USPS is uniquely adapted to provide these types of services, since branches are located in practically every community in the United States. Post offices afford an accessibility to the American public which the offices of no other government agency or private business can offer. However, such services can indeed be costly. For example, in 1980, the USPS discontinued the sale of stamps and other commemorative items of the Moscow Olympics in compliance with President Carter's boycott of the Games. Not only did the USPS incur the expense of printing hundreds of millions of stamps, postcards, envelopes, and related items, but the USPS also bore the costs of distributing the items to thousands of local post offices spread across the entire width and breadth of this country. These items were then recalled.²⁹

With the delivery of 106.3 billion pieces of mail in Fiscal 1980, regular postal services increased 5.5% over the previous year.³⁰ Delivery points have increased by twelve million since postal reorganization.³¹ This increase in service for Fiscal 1980 was accompanied by an increase in productivity of 5.5% resulting in a total rise in gross productivity of 34% since Fiscal 1970.³² The USPS is striving to adhere to its mandate to provide "efficient services to patrons in all areas."³³

26. Rural carriers cover enough miles each day to equal almost four roundtrip journeys to the moon. The longest rural route is in Mississippi; on that route, the carrier makes only 350 stops in 170 miles. One rural route in West Virginia is still horse-mounted in the spring and winter, when mud makes these roads impassable for vehicular traffic. Post Office locations range from Polynesian Pago Pago in American Samoa to Wainwright, Alaska, where the sun does not set in the summer and does not rise in the winter. Oddone, *Going to Extremes*, POSTAL LIFE, Nov.-Dec. 1980, at 24-25.

27. On February 8, 1980, President Carter announced that draft registration would take place at local post offices. FACTS ON FILE 110B3 (1980).

28. 39 U.S.C. § 404 (1976).

29. When the USPS halted its sale of such items, postal officials calculated 67 million 10-cent postcards, 47.2 million 31-cent airmail stamps, 187.6 million 15-cent commemorative stamps, 2.5 million 21-cent postcards, 4 million aerogrammes, and 8.5 million embossed envelopes had already made their way to post offices around the country. FACTS ON FILE 206A2 (1980).

30. 1980 REPORT, *supra* note 18, at 1.

31. This is equivalent to adding another New York metropolitan area to the system. *Id.* at 10.

32. *Id.* at 5.

33. 39 U.S.C. § 101(a) (1976).

Efficiency and Modernization

To achieve more efficiency in services, the USPS has turned to modernization and mechanization³⁴ of the antiquated manual system that it inherited in 1971.³⁵ This process of modernization and mechanization has included the development of the ZIP Code, central markup systems, and presort programs.³⁶ Nevertheless, the USPS does not intend to rest on these reforms alone; plans are underway to expand the mechanization of mail sorting³⁷ in an attempt to trim costs still further.³⁸

New Services

Some of the new services initiated in Fiscal 1980 include an increase in options available to users of Express Mail and the introduction of INTELPOST to Canada.³⁹ In 1980 the USPS made headway in the area of the proposed services involving E-COM (Electronic Computer Originated Mail),⁴⁰ in addition, the proposed nine-digit ZIP Code was planned to go into effect during 1981.⁴¹

THE POSTAL MONOPOLY AND PRIVATE COMPETITION

The Postal Service must not only expand its services in these new fields, it must compete with private business enterprises. While it is commonly assumed that the Postal Service enjoys a monopoly on mail service, this is no longer completely true. First, there is a question as to what makes up the "mail."⁴² The Private Express Statutes⁴³ are subject to some discussion on this matter, particularly where E-COM is involved. Conflict has arisen since the Federal Communications Commission decided that it has statutory authority over E-COM.⁴⁴ However, the future of E-COM is not set, with debate still raging over

34. The USPS has invested close to one billion dollars on mechanization and 3.2 billion dollars on modernization of facilities. 1980 REPORT, *supra* note 18, at 6.

35. See generally *Case Study*, *supra* note 24.

36. 1980 REPORT, *supra* note 18, at 6.

37. 122 CONG. REC. E3,776-77 (daily ed. Aug. 1, 1980) (remarks of Rep. Preyer).

38. 1980 REPORT, *supra* note 18, at 15.

39. INTELPOST is a new system of telecommunications being introduced by USPS. On September 22, 1980, the USPS officially initiated telecommunications from Washington D.C. and New York City to Toronto, Canada. *Id.* at 12.

40. E-COM will involve private telecommunications carriers who will send messages electronically to 25 post offices, where the messages will be printed, placed in envelopes and delivered. The price is estimated at 26 cents for a one-page message and 31 cents for a two-page message. Without any further legal snags or delays, the Postal Service hopes to begin this service on January 4, 1982. *Electronic Mail . . . One Step Closer*, THE POSTAL REC., Oct. 1980, at 3 [hereinafter cited as *One Step*].

41. For information on the proposed 9-digit ZIP Code system, see generally 45 Fed. Reg. 37,571-74 (1980).

42. See *EFT and the Postal Monopoly: A Potential for Conflict*, 13 U. SAN FRAN. L. REV. 505, 506 (1979) [hereinafter cited as *EFT, Potential Conflict*].

43. 18 U.S.C. §§ 1693-1699, 1724 (1976).

44. ONE STEP, *supra* note 40, at 3. Mail transfers are expected to decline as a result of Electronic Fund Transfers (EFT). The USPS hopes to establish its own E-COM system by 1982 to help offset the impact of EFT and remain competitive in the field.

how much control the USPS will be able to exercise over the system.⁴⁵ The USPS does estimate that E-COM will more than cover its costs, if the role of the Postal Service is what the USPS projects.⁴⁶

Other more traditional aspects of the postal monopoly and Private Express Statutes have been under serious attack.⁴⁷ In larger cities and metropolitan areas, hand delivery services are becoming increasingly more common.⁴⁸ The constitutionality of these statutes has been challenged as being beyond the delegative power of Congress to establish such exclusive rights for the USPS.⁴⁹ More recent challenges have attacked these statutes as impermissible infringements upon the basic first amendment right of freedom of communication.⁵⁰ But letters, circulars, and the like are not the major source of erosion of the Private Express Statutes.⁵¹

The largest threat of loss of revenue to the USPS has been in the area of parcel post service. This has been largely due to the advent of the United Parcel Service (UPS).⁵² Even newer threats, to both the USPS and UPS, are developing with the increasing emergence of numerous fast delivery services, such as Emery, Federal Express, and Purolator.⁵³ These services own and lease planes, while the USPS uses regularly scheduled airlines flights. This fact, coupled with airline deregulation, which has caused cutbacks in scheduled service upon which the USPS relies, has substantially impaired the USPS's ability to com-

45. Dispute exists not only between the telecommunications industry and the USPS but also, internally, between the USPS Rate Commission and the USPS Board of Governors. ONE STEP, *supra* note 40, at 3. Final resolution has still not been achieved, and the Postal Service's role in the industry is still a question. *The Stake of the Postal Worker in the Electronic Mail Issue*, THE POSTAL REC., Jan. 1981, at 10-11.

46. ONE STEP, *supra* note 40, at 3.

47. Probably the most common ground for attack on the Private Express Statutes stems from attempts by the USPS to enforce the provisions of § 1725, which provides:

Whoever knowingly and willfully deposits any mailable matter such as statements of accounts, circulars, sale bills, or other like matter, on which no postage has been paid, in any letter box established, approved, or accepted by the Postal Service for the mail route with intent to avoid payment of lawful postage thereon, shall for each such offense be fined no more than \$300.

18 U.S.C. § 1725 (1976).

48. Examples of such services are Cincinnati's American Advertising Service, which distributes such items as coupons, fliers, and samples. Better Homes and Gardens, Wall Street Journal, and Reader's Digest are some of the larger publications which are taking advantage of private carriers. Better Homes and Gardens is distributing nearly one-half million issues in this manner. Scherschel, *Why Postal Service Faces Bleak Future*, 1 U.S. NEWS AND WORLD REP., Dec. 1, 1980, at 39 [hereinafter cited as *Bleak Future*].

49. *Brennan v. United States Postal Service*, 439 U.S. 1345 (1978).

50. *Council of Greenburgh Civic Ass'n v. United States Postal Service*, 586 F.2d 935 (2d Cir. 1978), *cert. granted*, — U.S. — (1981).

51. In Fiscal 1980, Second Class mailings increased 10.4%, and controlled circulation mailings more than doubled, swelling the total volume in the combined categories to 10.2 billion pieces. This results in a 10.5% increase and represents the largest increase for these categories since the reorganization of the Postal Service. 1980 REPORT, *supra* note 18, at 4-5.

52. Between 1970 and 1979, delivery of packages by the USPS decreased from 570 million to 204 million, while UPS deliveries increased from 499 million to 1.44 billion packages. *Bleak Future*, *supra* note 48, at 39-40.

53. *Express Mail vs. Private Couriers*, POSTAL LIFE, Sept.-Oct. 1980, at 10.

pete.⁵⁴ The UPS plans to join the rank and file and lease aircraft between points where scheduled service is inadequate.⁵⁵ The USPS does not enjoy such freedom, however, and must comply with statutory regulations in its use of air transportation.⁵⁶

Despite these difficulties, the USPS registered an increase in parcel post delivery of 2.4% last year, reversing a fourteen-year trend of decreases.⁵⁷ Some of the revival has been due to growing use of Express Mail.⁵⁸ While Express Mail offers four different types of service, most interesting are the Same Day Airport Service statistics, showing that sixty percent of such deliveries are being made to and for competitive couriers and shippers.⁵⁹ By entering into the overnight/same day delivery *competition*, the Postal Service has had to enter a new area—advertising. The USPS has had to join the competition with not only four-color print ads, but radio and television advertising as well,⁶⁰ an obvious indication that a monopoly does not exist here.

In addition to competing in new areas of mail delivery, the USPS continues to provide traditional services. Here the USPS faces a rather unique “business” problem in establishing its rates or fees for the services provided. The Postal Service may not raise rates by itself; it may only request increases by petition to the Postal Rate Commission.⁶¹ The Commission must then make a recommendation based upon a number of factors,⁶² including the “value to the recipient of mail matter.”⁶³ Final approval is left to the Board of Governors.⁶⁴ The result is not always the best in terms of postal finances and is, after the various rounds of debate, often significantly delayed.⁶⁵

Additional problems not generally experienced by big business arise because of the Postal Service’s unique structure. Despite the recent modernization that has occurred since the Postal Service took over in 1971, the majority of the postal budget still is used for personnel

54. *Id.*

55. *Id.*

56. The USPS must comply with specific mandates regarding air transportation of mail. The USPS may contract only with “certificated” air carriers, and only such carriers as are “authorized by the Civil Aeronautics Board to engage in the transportation of mail” between the points in question. 39 U.S.C. § 5402(a) (1976).

57. 1980 REPORT, *supra* note 18, at 5.

58. In Fiscal 1980, Express Mail volume increased 43%. *Id.* at 10.

59. The four categories of Express Mail are (1) Customer Designed Service, (2) Next Day Service, (3) Same Day Airport Service, and (4) International Service. *Express Mail vs. Private Couriers*, *supra* note 53, at 10.

60. *Id.*

61. 39 U.S.C. § 3622(a) (1976).

62. 39 U.S.C. § 3622(b) (1976).

63. 39 U.S.C. § 3622(b)(8) (1976).

64. The Governors “may approve, allow under protest, reject, or modify” the decision of the Rate Commission. 39 U.S.C. § 3625(a) (1976).

65. On April 21, 1980, a rate increase request was filed, along with appropriate documents, by the USPS. As of the time of this writing, March 1, 1981, the increase proposal had been slashed by the Rate Commission recommendation released on February 19, 1981. This cut was due for initial consideration by the Board of Governors on March 3, 1981. 45 Fed. Reg. 28,552 (1980).

expenses. In Fiscal 1980 personnel compensation and benefits accounted for 84.57¢ out of every postal service dollar.⁶⁶ The Reorganization Act⁶⁷ introduced collective bargaining and directed the Postal Service to provide the Service's new bargaining units compensation "comparable" to that paid by the private sector.⁶⁸

POSSIBLE EFFECTS OF A SUBSIDY CUT

Worker demands for compensation will prove to be an additional thorn in the side of the Postal Service if its funds are cut. The Service will be forced to look to employee compensation and benefits.⁶⁹ The National Association of Letter Carriers and other bargaining unit contracts expire in July of 1981.⁷⁰ The union is looking for a continuation of its cost-of-living adjustment (COLA) and other benefits. It appears unlikely that the union will agree to discontinuation of benefits under the costly COLA provision, particularly in light of the lucrative gains received by other large unions since the last postal contract.⁷¹

Other factors affecting the trimming of the postal personnel budget do not present an overly bright picture either. Many postal employees are concerned about continuing threats to their retirement benefits, as Congress looks for ways to restructure the trouble-plagued Social Security System.⁷² Workers who fear loss of their retirement benefits cannot be expected to "give" significantly at the bargaining table. Many postal workers are also concerned about future job security with the USPS.⁷³ Adding all these factors together, the prospect for any significant cuts in compensation and benefits is practically nil.

The elimination of Saturday deliveries is a common proposal for cutting costs. This prospect appears to be a distinct possibility, if the public service appropriation is cut. The concern of employees centers not only on those who may lose their jobs. For example, the mailman who does not face a job loss or layoff but may be faced with the prospect of doing six days work in five.⁷⁴

The fate of six-day delivery affects the country as a whole. Debate on the floor of both houses of Congress focused on the public service

66. Total personnel benefits are computed as follows:

| | |
|------------------------------|---------------|
| Personnel compensation | 71.04¢ |
| Personnel benefits | 13.53¢ |
| | <u>84.57¢</u> |

1980 REPORT, *supra* note 18, at 24.

67. 39 U.S.C. § 201 (1976).

68. 39 U.S.C. § 101(c) (1976).

69. See note 66 *supra*.

70. Sombrotto, *An Open Letter to the Postmaster General*, THE POSTAL REC., April 1981, at 2-3.

71. See *Report of the Executive Council*, THE POSTAL REC., Jan. 1981, at 1-3.

72. On November 9, 1980, the Joint Economic Committee report suggested adding federal employees to the Social Security System and transferring their retirement benefits to the System.

73. Despite increases in mail volume, the number of postal employees has decreased significantly—from 741,000 in Fiscal 1970 to 667,000 in Fiscal 1980. 1980 REPORT, *supra* note 18, at 5.

74. See *Six-Day Delivery: Report from the Front*, THE POSTAL REC., June 1980, at 1-2.

aspect of the postal service. A strong argument is that which stresses the importance of Saturday deliveries to the nation's senior citizens. They rely upon the mail to bring them contact with the outside world, and often the mailman is their only personal contact during the day. With the increase of three-day holiday weekends, the effects are compounded. Supporters contend these considerations are very real and extremely vital in view of the role of the USPS as a public service.⁷⁵

Another argument focuses on the practicality of possible elimination of Saturday deliveries. A common complaint about the Postal Service is poor delivery time. Without Saturday deliveries, the goal of two-day delivery time within 600 miles and three-day delivery time over 600 miles⁷⁶ will be further eroded. Letters, with destinations within 600 miles, mailed on a Thursday cannot be delivered until Monday at the earliest, and Tuesday on a three-day weekend. Even further delays would result from the increase of the Monday daily mail load (due to the effects of shortening the delivery week from six to five days).⁷⁷ The elimination of Saturday deliveries would thwart the congressionally mandated goal of giving highest consideration to "programs designed to achieve overnight transportation to the destination of important letter mail."⁷⁸

The effect will be felt more acutely in rural communities than in metropolitan areas. Considerable concern is raised about the receipt of newspapers in rural areas with no local publishers.⁷⁹ Proponents for postal service cutbacks, however, point to specific provisions of the Postal Reorganization Act, which require the Service not to make "any undue or unreasonable preferences to any such user."⁸⁰

Another program which may be affected by a subsidy cut, the Postal Inspection Service, focuses increased effort on the promotion of consumer awareness regarding mail fraud. In late 1979 eighteen fraud specialists began educating the public concerning numerous types of frauds and ways to combat such abuses. The relative importance of such a program is more evident when viewed in light of the fact that the nation has a sixty billion dollar mail order industry. Some recent accomplishments of the Postal Inspection Service include the instant crackdowns on an Olympic accommodations deal and a "Superbowl Weekend," both stopped before any money was lost or collected. Such services are particularly helpful to the more vulnerable segments of society, who can least afford such exploitation.⁸¹

75. 121 CONG. REC. E3,732 (daily ed. July 31, 1980) (remarks of Rep. Conyers).

76. 1980 REPORT, *supra* note 18, at 8.

77. 101 CONG. REC. H5,428 (daily ed. June 19, 1980) (remarks of Rep. Daschle).

78. 39 U.S.C. § 101(f) (1976).

79. 90 CONG. REC. E2,728 (daily ed. June 4, 1980) (remarks of Rep. Bereuter).

80. 39 U.S.C. § 403(c) (1976).

81. Some of the fraudulent practices that have been uncovered range from the sale of an engraved picture of Abraham Lincoln (the one found on a penny) for \$10, the Universal Coat Hanger (a sturdy nail) for \$3.95, and the Solar Clothes Dryer and Stabilizers (clothesline

Other areas where postal operation may be cut, along with the subsidy, are those involving innovation. The USPS is currently experimenting with the practicality of electric vehicles and has proposed vanpooling. The size of postal vehicles has been scaled down. The service has also "demotorized" over 7,000 routes, converting them back to walking routes. All of the changes have allowed the Postal Service to reduce gas consumption while increasing deliveries and to promote federal energy programs.⁸² However, while admirable, such programs have an adverse effect on the number of hours required for door delivery by walking as opposed to curb-side delivery while riding. This is not a desirable situation, if Congress hopes to trim the overall postal budget.

CONCLUSION

The USPS, in its ten short years of existence, has made significant improvements with respect to services previously offered by its predecessor, the POD. Thus, the USPS has turned decreasing productivity into ever-increasing productivity. Hopelessly outmoded facilities and operations, still in use under the old system, have been modernized and mechanized. In addition, the USPS has increased services, adding more delivery points and handling more pieces of mail. The subsidy for these services has remained at the levels called for by the Postal Reorganization Act. The total amount of operating costs financed by this subsidy is steadily declining.

Problems with the USPS remain. Foremost is the large percentage of the Service's budget that is directly distributed to personnel. While inside processing can be computerized and mechanized to improve efficiency, little can be done to reduce the number of hours required for door-to-door, hand delivery of the mail. The practicality of reducing these figures seems slim. In fact, the financial situation of the letter carrier has not significantly improved since Pony Express times. In terms of 1975 buying power, the Pony Express rider was said to have an estimated income of \$15,000 in 1975 dollars, compared to an average income for a level 5 letter carrier in 1975 of \$13,500.⁸³

With the public opposition to the Postal Service's proposal of a 9-digit ZIP Code to improve efficiency, patrons will not be favorably disposed to parting with local hand delivery. By discontinuing Saturday delivery, the USPS will probably fall victim to more criticism and more problems. Cutting one-sixth of its budget will not be offset by a one-sixth reduction of *days* of delivery. One must remember that *all* the

and clothespins) for \$36.99 and \$9.99, respectively. *Fraud Squad*, *POSTAL LIFE*, May-June 1980, at 2-4.

82. The USPS currently has 758 electric vehicles in service. Vanpooling is scheduled to begin in 1981 with the purchase of 250 vans. Overall gas consumption is down five million gallons annually from 1973 rates. 1980 REPORT, *supra* note 18, at 14-15.

83. Brown, *The Pony Express*, *AM. HIST. ILLUSTRATED*, Nov. 1976, at 47-48.

mail will still have to be delivered. If a "service" subsidy is cut, the quality of service will decline, in all probability. The long-term effect of such cuts on the Postal Service have yet to be fully determined.

To rationalize the proposed cuts in the Postal Service's public service appropriation, one has to take the view that adequate service is not being rendered. With the statutory mandates calling for significant cuts in the public service subsidy this year and further cuts during the next four years, now is not the time to trim the budget even more.

When looking at the USPS, one should not forget the significant improvements that it has made in its ten short years of existence. Postal deficits are significantly less than those during the waning years of the POD.⁸⁴ The USPS is the largest postal system in the world, and still offers service at significantly lower rates than other postal systems.⁸⁵ While a local phone call costs twenty cents in many areas, the Postal Service charges eighteen cents for delivery of a letter from any point in the United States to any other point in the United States.

Mail handlers that compete with the Postal Service have enjoyed success by offering only specialized services in select markets. But the USPS cannot choose to deliver only in populous areas, or deliver only those items for which it can charge a substantial fee. The Postal Service has had to learn how to compete and advertise for business, but has not been free to charge the fees that it wishes. Not only must the USPS abide by the decisions of the independent Rate Commission, but the USPS must pay the cost of operating the Commission.⁸⁶

Before slicing away at the appropriations that the federal government gives to the USPS, one should look at the services that the USPS must perform with these funds. If Congress wishes to provide, through legislation, reduced rates and free mailing for select segments of society, it must pick up the tab for such privileges. If the USPS must provide service for all, regardless of cost, and is restricted from closing small post offices which operate at a deficit, then it should be reimbursed for the higher operating expenses by the same body that requires it to do so. If Congress is willing to provide relief for large corporations, which, although free to set their own prices, cannot operate at a profit, then it should not be unwilling to provide funds to a business (such as the USPS) whose services and prices are subject to federal regulation.

When the myths that surround the Postal Service are examined, they are quickly discredited. The monopoly is only a monopoly for a certain category of mailings, not all mailings. The large government subsidies do not seem so large when they are broken down into those that are reimbursements and those that are indirect public service ap-

84. *Case Study*, *supra* note 24, at 1031.

85. Bolger, *There's a Lot to be Said for the Postage Rate Proposal*, *POSTAL LIFE*, May-June 1980, at 20.

86. 39 U.S.C. § 3604(d) (1976).

propriations. The USPS is a rare creature, indeed, fitting in neither the category of government service nor that of large business. The Postal Service is going through a critical period, facing its second congressionally mandated public service appropriation cut in two years. Its employees face the threat of losing their retirement benefits and/or their jobs, while management and labor square off in the midst of these difficulties to negotiate a new contract.

This is not the time to reduce the budget of the Postal Service. It has made progress towards the goals the Congress set it for in the Postal Reorganization Act. The USPS subsidy will, by statute, be diminished each year for the next four years. Rather than cut these funds further, Congress should comply with the Reorganization Act and reduce the public service appropriation only by those amounts specifically set forth by that legislative program.

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