



II-2.15: The United States Postal Service announces plans to end next-day priority mail service and requests legislative approval for other service cuts

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Translated
Article



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MAIN INFORMATION

On December 5, 2011, the United States Postal Service, an agency of the federal government, announced that it would close 252 of its mail processing centers by March 2012, thereby ending the expectation for next-day delivery of intra-zone first-class mail and increasing all delivery times by one day, as well as seek legislative approval for a plethora of other service cuts.

CONTEXT AND SUMMARY

On December 5, 2011, the *United States Postal Service (USPS)* asked the *Postal Regulatory Commission (PRC)* for a non-binding opinion on its plan to close 252 of its mail processing centers, which would end next-day delivery for local priority mail and add one day to delivery times for all other mail. It also announced that it would seek Congressional approval for further service cuts.[1]

As noted in a previous thematic report on the USPS[2], this agency was required to pre-finance forty years coverage of its retired employees' health benefits over the last ten years, and was therefore required to borrow 5.5 billion dollars from the US Treasury. According to a speech made by the Postmaster General, Pat Donahoe at the National Press Club in Washington, D.C., on November 21, 2011, this has bankrupted the *USPS*.

Besides the aforementioned closures of mail processing centers and slower service for first class mail, his agency is requesting that Congress make the following changes to the USPS' legislative mandate in order to allow it to continue its operations.

First of all, the *USPS* is requesting a shift from six-day delivery to five-day delivery. This would mean that mail service would only be provided from Monday to Friday, and would end Saturday delivery. The Postmaster General claims that this has already been done by most other Posts around the world.

Secondly, the *USPS* is requesting a number of changes to its human resources management requirements. It would like to be refunded 11.4 billion dollars in prepayment to its retiree health fund. It would also like to manage health coverage using private insurance companies, rather than continuing to provide coverage through the Federal Employees Benefits system, which it claims would provide greater benefits at a cheaper price. Lastly, it would like to have more flexibility in managing its workforce, which can be interpreted as fewer restrictions on laying off employees.

Thirdly, the *USPS* is requesting more pricing flexibility. Currently, any changes to postal prices must be approved by the *Postal Regulatory Commission* and if they are to rise by a higher percentage than the increase in the Consumer Price Index, they need to be approved by Congress. This system penalizes the *USPS* as compared to its competition, which can raise prices with no prior approval or

notice, and therefore has much greater flexibility in meeting supply and demand.

The foregoing changes require legislative approval by the Congress in order to be implemented by the *USPS*.

[1] United States Postal Service, News Release 11-132, available at <http://about.usps.com/news/national...>

[2] Raiffe, Alex, The United States Postal Service published a document on March 2, 2010, detailing the challenges it faces in maintaining a universal postal service in the United States, *The Journal of Regulation*, insérer l'année si la fiche a déjà été publiée en revue papierIII-2.3

Links with other documents in the same sector

BRIEF COMMENTARY

As an agency of the federal government, the USPS is subject to a number of regulatory and legislative constraints that limit its ability to function as a normal business, even though it is required to fund itself through the sale of its products. This is largely the case of every postal service in the world, which function to a greater or lesser extent as independent businesses, but which must comply with legislative service and quality standards. However, the rise in electronic communications to the detriment of postal communication has led and will continue to lead policy makers to question whether the maintenance of a postal service is still a public policy imperative for the twenty-first century, and if so, at what standards, and at what cost? Although the postal service undeniably plays an important role in the economy and in social and territorial cohesion, the decline in volumes of mail sent are likely to continue jeopardizing the postal service in the form we know it today. It remains to be seen whether the modifications requested by the USPS are due to America's domestic political, economic, and social concerns, or whether, on the contrary, the USPS is a harbinger of the future of postal services all across the globe.