

Hearings Before the
President's Commission on the United States Postal Service
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EXECUTIVE SUMMARY

This statement addresses several topics which appear pertinent to the President's charge to the Commission to articulate "a proposed vision for the future of the Postal Service" and the "legislative and administrative reforms needed to ensure the viability of postal services." My statement is divided into three parts as follows.

Regulatory reform issues. First, I consider issues of regulation and economic policy. I support the President's focus on the long term because I believe the Postal Service today faces challenges as far reaching as those posed by the first industrial revolution in the mid-nineteenth century. I summarize policy trends which provide the context for reform of long term postal policy: deregulation of the U.S. communications and transportation infrastructure, reevaluation of government sponsored enterprises, and postal reform in other countries. Finally, I suggest an outline of regulatory framework options for the U.S. delivery services sector of the future.

Postal policy issues. Second, I review the history and key features of several topics central to postal law and reform: universal service, the postal monopoly, rate regulation, "the business model," the idea of a level playing field between the Postal Service and private companies, and international postal policy.

Postal reform. Third, I consider the timing and strategy of postal reform. I believe that fundamental postal reform is urgently required in light of the pace of change and length of time it will take to reform the Postal Service. However, defining a final regulatory framework for postal services in the twenty-first century in seven months seems unrealistic. I therefore encourage the Commission to recommend measures that will permit the regulatory framework to evolve in fundamental ways while retaining the basic foundations of current institutions: the government-owned Postal Service, the universal service obligation, and the postal monopoly. To illustrate this approach I outline several possible steps: corporatizing the Postal Service while retaining government ownership; reestablishing the Postal Rate Commission as a more definitively regulatory body; authorizing the Postal Rate Commission to implement and refine the current statutory universal service obligation; retaining and recasting the postal monopoly in simpler, less extensive terms; permitting appropriate flexibility in ratemaking; authorizing the Postal Rate Commission to review economic aspects of international postal conventions; and creating an office of delivery services policy within an Executive Department.

I. INTRODUCTION

It is an honor and a pleasure to appear before the distinguished members of the Commission. This statement presents my personal views only. It is based on my experience in efforts to reform postal laws in the United States, Europe, and other countries during the last twenty-five years. Since 1995, I have been involved in initiatives to reform American postal policy, and at various times, I have advised private express companies (principally Federal Express), the Postal Service, the Postal Rate Commission, and Republican and Democratic staff of the House Committee on Government Reform. I am not presently employed in any significant capacity by any member of the U.S. postal community.

The purpose of my statement is to offer a survey of topics which appear pertinent to the tasks assigned the Commission. In each case, I try to call to the attention of the Commission salient points which are likely to escape mention or highlight in statements of others. At the end, I suggest an approach to postal reform based on the introduction of flexibility in the regulatory framework rather than establishment of a new permanent institutional framework. To illustrate this strategy, several possible steps are described.

I thank the Commission in advance for consideration of my statement and for its efforts to advance national policy for this important and often underappreciated sector.

II. REGULATORY POLICY ISSUES

A. THE LONG VIEW

The Executive Order instructs the Commission to take a long view on reform of the United States Postal Service: to determine “the role of the Postal Service in the twenty-first century and beyond.” I agree that a long term perspective is necessary and appropriate at this time, one that looks both backwards and forwards.

At the outset, respect for the Postal Service as a national institution demands a long view backwards. For over two centuries, the post office has been one of the most important programs of the federal government, a vital medium for the social life and commerce of the nation, and an employer for millions of Americans—an “enlarger of the common life,” as historian Wayne Fuller has aptly declared. Without an appreciation of this long history, postal policy is unintelligible.

A long view forward is necessitated by the extraordinary nature of the times facing

the Postal Service. In addition to once-in-a-generation organizational issues, the Postal Service is faced with the unfolding implications of a still rarer and more fundamental shift in the nature of the communications market, a second industrial revolution impelled by increasingly sophisticated use of computers linked by modern telecommunications. In 2001, for the first time in its 122-year history, the *Statistical Abstract of the United States* placed postal data in the *transportation* section rather than the *communications* section. For the Postal Service, the future will not be like the past. Since basic reform of an institution as large as the Postal Service will take many years to implement, policy decisions of today must anticipate commercial and technological developments over the next decade or two.

The last occasion on which the national post office faced a comparable challenge was in the 1840s, when the steam-powered railroads and ships of the first industrial revolution slowly but inexorably rendered irrelevant what was then the basic mission of the Post Office, transportation of letters and newspapers between cities by contracting for relay stations and the riders and stage-coaches who moved between them. At the beginning of the twenty-first century, the harbingers of change are surprisingly similar to those that appeared in the 1840s: stagnating mail volumes, concerns about long term postal finances, introduction of new technologies, and the rise of great private express companies. In the 1840s, the first wave of reform—the “cheap postage” movement—failed to apprehend and respond to the deepest currents of the time. In retrospect, it is apparent that the most important implication of the first industrial revolution was not reduction in the cost of long distance letter transmission but the shift from transportation to delivery as the core function of the national postal system. Today, likewise, undue emphasis on immediate measures may respond inadequately to fundamental trends.

B. DEREGULATION OF THE U.S. COMMUNICATIONS AND TRANSPORTATION INFRASTRUCTURE

The Postal Service does not operate in a vacuum. It is one actor, albeit the largest, in a sector that includes large and small private express companies; delivery services for newspapers, parcels, pizzas, and other goods; a variety of messenger services; and diverse sorters, consolidators, and forwarders. The delivery services sector, in turn, is a component of the national infrastructure of communications and transportation services that facilitates production and consumption of virtually all other goods and services and makes possible much of the exchange of knowledge and sentiments among citizens.

Since the late 1960s, improvements in technology have reshaped the national and international infrastructure of communications and transportation services. Resulting changes in commerce stimulated, and have been further stimulated by, a wholesale revision of the federal laws that governed such services since the 1930s and before.

Evolution of the communications and transportation infrastructure and its regulatory framework over the last twenty-five years serves as the necessary starting point for reconsideration of long term postal policy. For this reason, it is worthwhile to review briefly regulatory reform in three sectors closely related to the postal system: aviation, telecommunications, and express.

“Deregulation” of the U.S. airline industry in the late 1970s came about because of the increasing disparity between improvements in aviation technology, on the one hand, and the inefficient output of a too-protected and over-regulated airline system, on the other. Introduction of commercial jet aircraft in the 1960s substantially reduced costs of long distance travel, yet instead of falling prices, regulatory protection of incumbent airlines led to excessive service competition, including empty seats, free drinks, and fashion shows. Even on short haul routes, low cost intrastate carriers in Texas and California demonstrated how inefficient the national airline system had become. Economic studies cast doubt on the claim of incumbent airlines that allowing new entry in major routes would jeopardize service to small towns. As a result, in 1978, after four years of deliberation, Congress began the process of deregulating most of the national airline system. At the same time, federal protections for small town service were increased.

Deregulation of long distance telephone service was likewise stimulated by technological advance. As in the aviation industry, better technology lowered the cost of long distance service while prices remained high. But high prices in long distance telecommunications markets did not translate into service competition since one company, AT&T, was the sole carrier. Instead, high prices generated funds which AT&T used to subsidize low rates in local telephone markets. The extent of this cross-subsidy was unclear, but the specter of higher local telephone rates thwarted reform legislation. Then the courts stepped in. By the 1960s, microwave technology had reduced the cost of bulk long distance telecommunications services and created opportunities for new entry. In a series of decisions in the 1970s, the courts forced a reluctant Federal Communications Commission (FCC) to allow microwave operators to compete in the long distance telephone market. In 1984, the courts ordered AT&T to divest its local telephone companies because AT&T was using control over “local loops” to handicap competitors in the too-lucrative long distance market. As the D.C. Circuit of Appeals said in explanation of judicial intervention: “The ultimate test of industry structure in the communications common carrier field must be the public interest, not the private financial interests of those who have until now enjoyed the fruits of de facto monopoly.” With entry barriers down, several new long distance telephone companies emerged. Nevertheless, the FCC continued to subject AT&T to strict regulatory controls for so long as AT&T retained the market power to set rates without fear of competition. In 1995, the FCC ruled that AT&T had become “non-dominant” and could be treated like

any other long distance telecommunications carrier.

Deregulation of private express services followed a roughly similar path. In the early 1970s, Federal Express married the possibilities of falling aviation costs with improvements in computing and telecommunications to create a new type of hub-and-spoke cargo airline dedicated to the rapid and reliable distribution of parcels and spare parts. At the international level, couriers such as DHL did likewise, using the expanded cargo capacity of jumbo jet aircraft and (originally) the international telex system. These efforts ran afoul of both aviation and postal laws. Federal Express could not expand to larger, more efficient aircraft because federal aviation regulation protected existing cargo airlines and their antiquated point-to-point services. Neither Federal Express nor DHL could transport urgent business documents because the Postal Service claimed that the postal monopoly prohibited such services even though the Postal Service itself offered no comparable service. In 1977, Congress, as precursor to general aviation reform, deregulated air cargo service. In the same year, a joint presidential-congressional commission, the Commission on Postal Service, recommended modification of the postal monopoly to permit private carriage of urgent documents. The Postmaster General darkly predicted billions of dollars in losses if urgent letters were excepted from the monopoly. Nonetheless, in 1979, the Postal Service, under pressure from Congress, adopted a regulation demonopolizing express letter delivery services.

Each of these steps encountered fierce resistance from incumbent service providers. In each case, it was argued that competition would jeopardize the existing satisfactory pattern of national service. Each reform took many years to accomplish. Yet in each case, reduction in regulatory control and increased competition yielded enormous economic benefits in ways not fully foreseeable at the time. Aviation and telecommunications services are more extensive, more efficient, and more innovative than they would have been under earlier modes of regulation. Private express and parcel services have blossomed to such an extent that it is difficult to imagine the modern American economy without them. What Fred Smith of Federal Express presciently termed “the symbiotic relationship between improved information management systems and modern logistics systems” has yielded a general decrease in the costs of manufacturing and retailing. An explosion in direct marketing has broadened the range of products available to citizens and expanded marketing opportunities for specialized producers.

These regulatory reforms have not been wholly painless. Managers have been forced to learn new skills or give way to others. Overstaffed units have been slimmed down, and excess workers retired or shifted to other jobs. In some cases, small towns have felt poorly served. With the benefit of hindsight, it is possible to imagine measures that could have mitigated these problems. The bottom line, however, is that virtually no one today would urge a return to preexisting regulatory controls.

Deregulation, better termed “regulatory reform,” has been the most important development in national policy towards the communications and transportation infrastructure since the Postal Reorganization Act of 1970. It has been a significant factor in the economic prosperity of the country during this period. While the postal sector may be different from other communications and transportation industries, it is difficult to believe that a new long term national policy towards postal services can be devised without taking into account lessons from the deregulation movement.

C. GOVERNMENT SPONSORED ENTERPRISES

Another pertinent long term trend in governmental policy has been an evolution in thinking at home and abroad towards government sponsored enterprises (GSEs).

A survey of the American experience with GSEs is provided in Appendix T of the *Transformation Plan*. Of the case studies described, the most relevant to the Postal Service are GSEs providing transportation or communications services: Conrail, Amtrak, and Comsat. Conrail and Amtrak, in particular, offer contrasting examples of how to adjust governmental policy towards an industry with substantial sunk costs and declining business due to a shifting technological and commercial environment. The persistent problems faced by government-run Amtrak, compared to the relative success of privatized Conrail, strongly imply that government-style decision making could prove inadequate to a transformation such as that facing the Postal Service. These stories also underscore the time and effort needed to effect sector reform in a declining industry. In the case of Conrail, it took five major acts of Congress over a sixteen-year period. Then, too, it could be argued that the relative excellence of passenger rail service in other countries suggests that the United States, the world leader in railroad service for a century, might have managed the transformation of the passenger rail system more successfully. The history of American GSEs seems to reflect lost opportunities as well as successes.

In assessing the possibilities and perils of GSE reorganization, it is also appropriate to look to foreign experience. Reform of government enterprises is more common outside the United States for the simple reason that government enterprise has been the exception rather than the rule in the U.S. Outside the United States, governments have been steadily relinquishing direct control of the “commanding heights” of the economy. The vitality of this global trend was recently impressed upon me in working with the government of Jordan to reform its post office as part of a broader program to privatize and reform all government enterprises.

Both domestic and foreign experiences with GSE reform are reflected in reform of Comsat and Intelsat, also described in the Appendix T. In brief, Intelsat was created in

1964 as an intergovernmental cooperative to provide international satellite services. Comsat, the U.S. participant, was established as a private company with a monopoly on access to Intelsat's services. As satellite and telecommunications technologies developed, the United States and other nations concluded that a government-based approach, although necessary in the beginning, had become too slow and restrictive. In 2000, Congress adopted legislation to privatize Comsat and essentially force privatization of Intelsat by threatening to bar access to the U.S. market.

The overall trend is one of growing skepticism about the viability of government enterprise as a way of managing economic activity and supplying necessary infrastructure services. These insights, as well, must be considered in developing a new long term policy towards the postal sector in the U.S.

D. POSTAL REFORM IN OTHER COUNTRIES

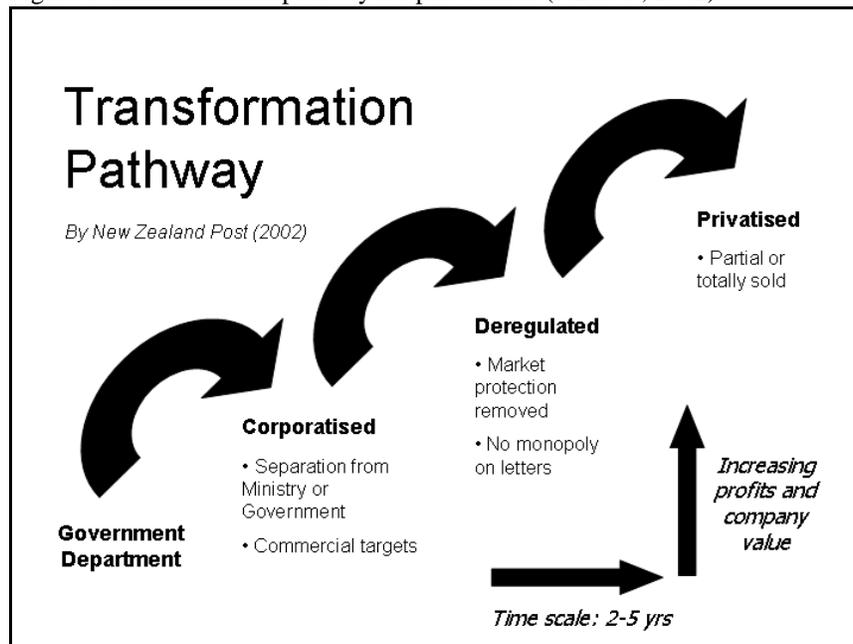
As the Commission is aware, several other industrialized countries have proceeded further down the road of postal reform than the United States. This international movement began about 1988. In several cases, foreign governments have produced thoughtful formal reports on long term postal policy roughly comparable to that asked of the Commission. In particular, I have been impressed with reports from New Zealand (1988), the European Union (1992), Australia (1992, 1998), and the U.K. Postcomm's analysis of entry reform (2001).

In other industrialized countries, postal reform is moving towards greater commercial flexibility for the national post office, reduction or elimination of monopoly protection, and separation of commercial and governmental functions, including privatization of ownership in some cases. In every country, universal postal service is defined and ensured in some manner. This international movement and its implications for U.S. postal policy lessons rightly permeate much of the analysis presented in the *Transformation Plan*. See Appendices H (international experience) and U (universal service and monopoly in other countries). Figure 1 presents a graphic summary of the "transformation pathway" for post offices prepared last year by one of the leaders in the postal reform movement, New Zealand Post.

While an appreciation of the general course of reform in other countries is useful, the most instructive lessons emerge from a comparative study of differences in approach. Three strategies towards reorganization of the post office may be discerned, combined in different degrees in different countries.

Commercial flexibility. One approach to postal reform focuses on commercial flexibility: that is, to what extent can postal executives manage their activities in the same

Figure 1. Transformation pathway for post offices (NZ Post, 2002)



manner as other commercial concerns? Commercial flexibility tends to be the perspective of postal officials and businessman called in to advise the government. Today, postal managers increasingly find themselves in competition with private companies, yet legal restraints prohibit them from conducting business like managers of private companies. “Commercial flexibility” implies greater latitude for postal managers. Calls for more commercial flexibility must be weighed against the “universal service obligation.” In many cases, for reasons of public policy, governments have deliberately limited the authority of postal managers to reduce services to rural areas or give discounts to the largest mailers.

Separation of governmental and commercial functions. A second approach to postal reform emphasizes separation of governmental and commercial functions. This is a more legalistic or governmental approach. The objective is not so much to give the postal services sector the same commercial flexibility as a normal market as it is to ensure that the exercise of governmental power is not infected with commercial interest. To this end, governmental functions and privileges formerly vested in the post office are administered by an independent regulator, whose decisions are, in theory, uninfluenced by concern for the commercial fortunes of the post office. The regulator distributes the privileges and obligations of the postal sector to all participants in the sector in a manner calculated to serve the public interest, typically by means of a licensing scheme. The regulator may permit postal operators more or less commercial flexibility. The regulator could, for example, require all postal operators to maintain certain universal services, to comply with accounting rules, and to contribute to a universal service fund.

Privatization. A third approach to postal reform is privatization. If commercial flexibility is the businessman's reform, and separation of functions is the lawyer's, then privatization is the economist's. Only privatization creates "residual claimants" (shareholders) motivated by self interest to ensure that the company is managed in the most efficient manner. No governmental organization can provide the same ultimate institutional incentives. Privatization is related to, but distinct from, other approaches. A post office may be privatized but not granted the commercial freedom of a normal company. Likewise, a privatized post office may retain a degree of governmental authority, such as a monopoly over the carriage of letters and an obligation to provide universal service.

Postal laws in leading reform jurisdictions manifest different mixes of these philosophical ingredients. Australia and the Netherlands, for example, have granted their post offices substantial commercial freedom without wholly repealing monopoly privileges or strictly separating commercial and government functions. However, in the Netherlands privatization of roughly 60 percent of ownership has given the post office a less governmental status than in Australia, and the Dutch regulator has recently called for repeal of the monopoly. In Germany, the post office, also partially privatized, has been given substantial freedom to conduct business outside the postal sector but only limited freedom to modify universal postal service. The German postal monopoly has been substantially reduced and is scheduled for elimination at the end of 2006. In contrast, the United Kingdom has placed the process of demonopolization in the hands of a strong, independent postal regulator, the Postal Services Commission ("Postcomm"). The U.K. legislation emphasizes strict separation of commercial and governmental functions. The postal monopoly is replaced by a licensing scheme in which the regulator has broad discretion to fashion conditions to ensure universal service. Postal reform in Sweden, which abolished the postal monopoly in 1993, is similar to the British law but less fully developed. Still another approach is evident in New Zealand where the law has moved furthest towards treating the postal sector like any other commercial activity. In New Zealand, there is no postal monopoly, no regulator, and no statutory universal service obligation, but all postal operators are required to observe legal provisions designed to protect consumers. Differences between these approaches are significant. Some are wiser or more viable than others. Some are better adapted to American legal and commercial traditions than others. Overall, I suggest aspects of the British, German, and New Zealand laws deserve particular study.

E. REGULATORY FRAMEWORK OPTIONS

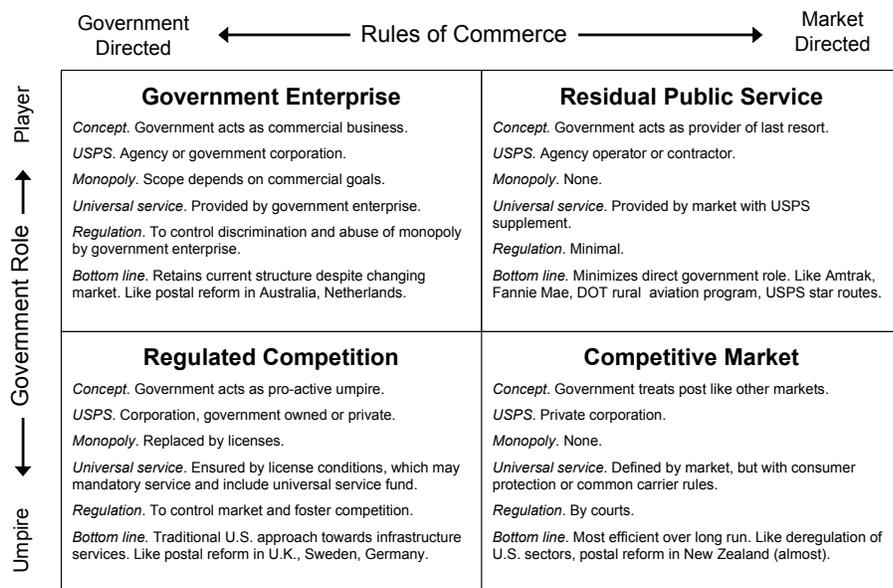
Technological and policy developments since 1970 thus imply a range of possibilities for long term national policy towards the Postal Service and the delivery services sector. Chapter 3 of the *Transformation Plan* addressed this subject by focusing

on the Postal Service as an institution. It described three organizational models for the post office of the future: government agency, commercial government agency, and privatized corporation. In my view, however, before considering the organization of the post office, one must consider more basic questions of government policy. Government will determine the rules of commerce for the delivery services sector. Should the rules shape the sector to serve public interest requirements or allow the forces of competition free play? Government also inevitably appears on the field of play, but should its role be that of active player or neutral umpire? Answers to these two questions imply four general approaches to the regulatory framework of the sector: (i) government enterprise, (ii) regulated competition, (iii) residual public service, and (iv) competitive market. See figure 2.

Government enterprise. If a normal competitive market will not produce delivery services fully consistent with the social and economic needs of the country, then government can impose special rules on the sector such as a “universal service obligation” and a “uniform rate” requirement. Moreover, government can fulfill these requirements itself by establishing a government enterprise in one of several legal forms: an executive department, an independent agency, or a government-owned corporation. This is the historic approach towards the postal sector in the United States. A government enterprise operating in a market partially serviced by the private sector necessarily implies a government monopoly or other legal privileges. If the mission of a government post office were to compete with the private sector on precisely equal terms in all activities, then the post office would behave no differently than a private company and no public purpose would be served by government involvement. Legal privileges allow the government post office to provide services to some mailers at non-compensatory rates that would otherwise be unavailable. Losses can be funded from monopoly rents charged other mailers, from the monetary value of other legal privileges (such as exemption from taxes), and from additional funds supplied from general revenues. “Universal service” is the politically determined scope of the government enterprise’s mission. In this model, the purpose of regulation is to prevent abuses of authority by the financially interested government post office.

Within the general framework of government enterprise, a variety of specific scenarios may be imagined. As suggested in the *Transformation Plan*, the Postal Service could concentrate on “a uniformly priced, homogenous letter mail delivery service” (government agency) or adopt a more aggressively commercial approach with broad flexibility to modify prices and service (commercial government enterprise). Another variation, proposed by Representative John McHugh, would be to limit the Postal Service proper to traditional postal services and authorize the Postal Service to set up an arm’s length corporate subsidiary to engage in non-postal activities. Or, as indicated in the New Zealand Post’s transformation pathway (figure 1), the Postal Service as a whole could be

Figure 2. Alternative regulatory frameworks for the delivery services sector



transformed into a normal corporation and, within limits, authorized to operate like a normal company. Under any of these scenarios, the level of the postal monopoly and other legal privileges could be set higher or lower than current law. Similarly, regulation of the government post office could be more or less strict than at present.

Among industrialized countries that have modernized their postal laws, Australia offers an example of a national post office that is still largely directed by government for governmental purposes, although Australia Post operates with a significantly smaller monopoly and universal service obligation than the Postal Service (see the discussion of postal monopoly, below). The post offices of Germany and the Netherlands likewise have monopoly privileges and substantial universal service obligations, but these rights and obligations appear to be transitional steps on the way to a more open, demonopolized environment.

Regulated competition. If government imposes special rules on the sector but confines its role to that of umpire, the result is regulated competition. In the United States, outside the postal sector, government regulation of private sector competition was the usual means of ensuring that communications and transportation services met public interest after creation of the Interstate Commerce Commission in 1887. Although economic regulation by the government has been greatly reduced by the “deregulation” movement of the last twenty-five years, it has not been eliminated entirely. One could imagine such a traditional regulatory approach in the delivery services sector. “Were the

postal system being started today,” wrote the Kappel Commission in 1968, “it might well be operated by a privately-owned regulated corporation not unlike the companies which operate other communications and transportation services.”

In a system of regulated competition, the Postal Rate Commission could be, for example, empowered to license carriers to provide delivery services for letters weighing less than 12 ounces and priced less than \$2.00. To protect universal service, the Postal Rate Commission could be authorized to regulate rates by dominant carriers and attach conditions to licenses to ensure continuation of affordable, reliable, and non-discriminatory services in and out of the licensed area. Licensees might be required to contribute to a universal service fund to underwrite the cost of non-compensatory universal services ordered by the Commission. Under this approach, the universal service obligation would become a requirement imposed on the sector as a whole rather than a mission assigned to a single government enterprise. The postal monopoly would be replaced by the system of licenses, and after a long or short period of transition, the Postal Service would be treated like any other operator. In such a regulatory scenario, it would be reasonable to restructure the Postal Service as a normal corporation, possibly owned partly or wholly by members of the public or postal employees. Regulated competition is the regulatory model adopted, in some cases after still incomplete periods of transition, in the postal laws of Germany, Sweden, and the United Kingdom.

Residual public service. If most postal services will be produced satisfactorily by the market, then the role of the government could be limited to provider of last resort. The Postal Service could provide “fill-in” delivery services required by the public interest but not provided by the market. A postal monopoly would be unnecessary since by definition the role of government would be to do what the private sector does not. Where services are offered at less than compensatory prices, the revenue shortfall could be funded from general revenues or an excise tax on the sector. In this model, the role of government is similar to that originally envisioned for Fannie Mae, created to serve as a dealer in household mortgages shunned by private financial markets. Similarly, Amtrak today provides passenger railroad services largely abandoned by private railroads. Alternatively, the government might use contracts with private companies to supply residual public services. For example, the essential air service program introduced by the Airline Deregulation Act of 1978 is a federal program of contracts with private airlines to provide rural airline services. Likewise, the Postal Service manages a network of private contractors to provide delivery service in rural areas (“star route” carriers). As private sector delivery services or suitable electronic substitutes expand, the government’s role under a residual public service approach should logically diminish.

Competitive market. A fourth approach to regulation would be to treat delivery services like any other competitive market, regulated by laws that govern business

conduct generally. In the post-deregulation era, this is the regulatory model adopted for most transportation and many communications activities. Under such an approach, the Postal Service would be transformed into a normal corporation owned by private shareholders. There would be no universal service obligation imposed on the sector, but carriers could be required to conform to consumer protection or common carrier provisions. For example, carriers might be required to stamp all letters and parcels to indicate the date and time of collection and the identity of the carrier. In this way, an addressee could ascertain which company to hold responsible for late delivery or damaged goods. Such rules would be enforced by the courts or, perhaps, by a quasi-judicial regulatory agency. As noted above, among industrialized countries, New Zealand comes the closest to treating the postal sector as an ordinary competitive market, although New Zealand Post is still owned by the government.

III. POSTAL POLICY ISSUES

A. UNIVERSAL SERVICE

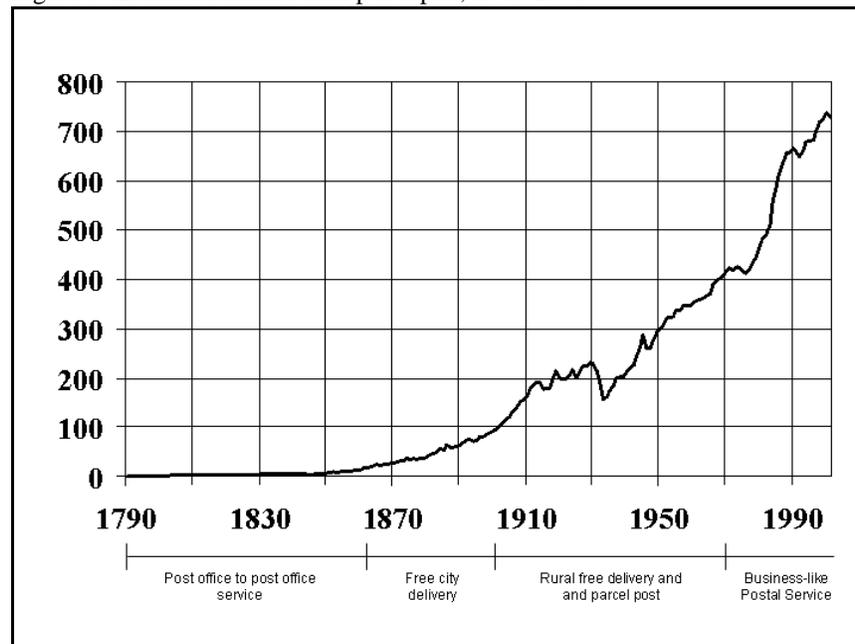
The concept of *universal service* is deeply embedded in current postal policy discussions. Policy advocates often rest their arguments on the premise that maintaining the present pattern of universal postal service should take priority over all other considerations. In evaluating the role of universal service in the future, it is helpful to understand how postal service in the United States has evolved.

A quick sense of the development of national postal service may be obtained by considering the growth in the number of mail items per capita transmitted by the national post office each year since 1790. Annual mail volume per capita has risen dramatically but unevenly. Annual mail volume did not reach 10 items per person until the 1850s and did not exceed 100 items per person until the beginning of the twentieth century. Annual mail per capita was 737 items in 2001, but the mass mail volumes that characterize modern postal service did not develop until after World War II. See figure 3 (based on my rough estimates of mail volume prior to 1886).

Looking behind these numbers, it may be seen that over two centuries there has been no set of services permanently associated with the national post office even as an ideal. As the needs of the nation have changed, Congress has continually revised the mission of the post office and the attributes of its national service. Four basic missions may be discerned, each being added on to preexisting missions.

Post office to post office service. In pre-industrial times, the Post Office operated what we today might call an intercity express transport service. It provided regular

Figure 3. Estimated annual mail per capita, 1790-2001



transmission of letters, newspapers, and other items between city post offices by contracting with private individuals and companies for the establishment of lines of “posts” or relay stations that served traveling foot messengers or horse riders. Messengers or riders carried letters in a locked pouch or “mail.” Newspapers were at first carried “outside the mail” on a space available basis. Postage was paid by the addressee, not the sender. The Post Office did not collect or deliver letters and newspapers or offer local intracity service; these were not “postal” services. In the early democracy, the primary public purpose of the Post Office was to provide an inexpensive means for national distribution of newspapers. Postage rates for letters were so high as to be inaccessible for ordinary personal and business correspondence.

In the 1840s, this network of postal relay stations was sorely tested by the emergence of railroads and steam boats. In the age of steam, anyone could board a train with a satchel full of letters and transport them from city to city as fast as humanly possible. Suddenly there was no need for a laboriously maintained line of posts joining towns along a “post road.” Many persons did in fact board railroads and steamboats with satchels of letters, and the first private express companies were born. Their progeny include companies like Wells Fargo and American Express. More importantly, as the private expresses demonstrated, technological advances had sharply reduced the cost of long distance postal transmission. In England, a far-sighted reformer named Rowland Hill advocated low uniform postage rates for letters prepaid by means of “postage stamps.” The English postal law of 1840 revolutionized the concept of a national postal service and was copied around the world. Americans followed the English reforms

closely. Petitions for “cheap postage” deluged Congress. In acts adopted in 1845 and 1851, Congress reduced postage rates for letters from 50 to 88 percent or more (depending on distance and weight), and the Post Office became a national medium for exchanging correspondence.

City delivery service. The basic mission of the Post Office remained post office to post office service until 1863 when “free city delivery” was introduced. “Free delivery” meant delivery without a separate charge for a messenger to fetch letters from the local post office, a rarely used luxury. For the first time, the Post Office seriously entered the business of collecting and delivering intercity and, increasingly, intracity letters, newspapers, and other documents. Free city delivery began in 49 cities, although only 13 cities had more than three letter carriers, and three-quarters of all carriers were located in just four cities: New York (including Brooklyn), Philadelphia, Boston, and Baltimore. Free city delivery was available to about 30 percent of the population by 1890.

Rural delivery services. At the turn of the twentieth century, the Post Office’s mission was enlarged dramatically to include delivery to rural areas, where the majority of Americans still lived and worked. Rural free delivery became a permanent service in 1902. Village free delivery, in towns of less than 10,000 inhabitants, began in 1912. Parcel post service was started in 1913 to bring big city goods to farm residents. By 1917, the Post Office was delivering to about 80 percent of rural Americans. Nonetheless, as late as 1950, when the second daily delivery to city residents was ended, mail delivery to the door or curbside was unavailable for 23 million persons living in small towns, about 15 percent of the total population. Some rural routes still had delivery only three days per week.

Business-like postal services. In 1970, the Post Office was transformed into a more “business-like” Postal Service. The Postal Service has focused increasingly on “last mile” delivery services by allowing discounts for presorted mail that is transported by private carrier and “drop shipped” at a downstream processing facility. Today’s “last mile” service represents an almost complete reversal in mission from the days when the Post Office provided intercity transportation without delivery. As the “gateway to the household,” the Postal Service has also become more of an advertising medium. In three decades, advertising mail has grown from 25 to 44 percent of total mail. As a restraint on business-like tendencies, the 1970 act added a statutory universal service obligation for the first time. It is found primarily in sections 101 and 403 of the postal code. These provisions are derived from a 1958 statute that was intended to articulate rate guidelines for future congresses. Bound by statute after 1970, the nature of national postal service has evolved more slowly than previously, when Congress was free to tinker with standards for national postal service each time it revised rates or other postal practices.

Today everyone supports the goal of maintaining universal nationwide postal service in some sense. The key questions relate to how broad and rigid the definition of universal service should be. Some consider universal service to include not merely the notion of regular, reliable, and affordable delivery of mail to every address in the country, but more specifically to connote a delivery service characterized by elements such as: (i) uniform prices for certain types of mail; (ii) uniform levels of service for certain types of mail; (iii) collection and delivery six days per week; (iv) a minimum number of post offices and street collection boxes; and/or (v) end-to-end delivery times within certain standards. Others would argue that “universal service” also entails still other dimensions, such as a requirement to buy American and a duty to treat employees fairly and non-discriminatorily. However broadly or narrowly defined, some would take the position that universal service represents a great social achievement that should be guaranteed for all time. Others would urge flexibility. In general, the more broadly and rigidly universal service is defined, the more firmly the government must control the operations of the market.

One point of potential flexibility deserves highlighting: the uniform rate rule. The Executive Order asks the Commission to consider how to protect universal mail delivery at *affordable rates*. Postage rates may be affordable for all even if the Postal Service reduces rates in some areas to reflect lower costs or meet the prices of competitors. Many argue, however, that affordability is not enough, that postage rates must be kept *uniform* across the country so that every mailer gets the same rate to every domestic destination. The social justification for this conviction is unclear. The concept of uniform nationwide postage rates first appeared as part of the English postal reforms of 1840. The rationale was economic: Rowland Hill demonstrated that the cost of transportation between major cities varied insignificantly so that uniform rates properly reflected costs. By the same logic, if, in a different age and country, the cost of local service turns out to be higher than the cost of national service, different rates should be charged. In fact, the U.S. Post Office charged different local and national postage rates as late as 1944, and the Senate supported differentiated rates as late as 1958. The statutory requirement for uniform letter rates was not adopted until 1970. (Today, as a matter of economics, a return to a local/national structure for *retail* postage rates seems unlikely, although the possibility of other variations has been suggested by some).

The uniform rate rule is the prime candidate for the often assumed but ultimately elusive link between universal service and the postal monopoly. According to some economic analyses, a legal obligation to maintain uniform postage rates necessitates monopoly protection. Otherwise, the Postal Service will find itself unable to respond to price competition in low cost areas and suffer losses. The force of this argument depends on how large the losses would be. The Postal Rate Commission estimates that relatively little mail would be lost to low cost competitors even if the Postal Service rigidly

maintains uniform rates. Moreover, many economists would question the underlying premise that the public interest is served by a slavish adherence to price uniformity. After all, price competition reflects a continual process of seeking out new configurations of cost, service, and price to meet the evolving needs of mailers. If the Postal Service is permitted to adjust rates to costs and competition, almost no one would claim that postal monopoly is needed to maintain universal service. The postal monopoly does not even seem to be a net money maker. Inefficiencies induced by the monopoly more than offset plausible economic benefits.

A more general issue raised by a rigid definition of universal service is: "Is the universal service definition properly attuned to the needs of the nation?" In some European countries, the post office charges high rates for a high level of postal service. In the United States, the Postal Service charges a lower rate for a service that virtually never fails to deliver but may not be as rapid and predictable as in Europe. Is universal postal service in these European countries better than in the United States? There is no clear answer (assuming equal levels of efficiency). It is at least arguable that a sensibly priced, plain vanilla postal service is better suited to the needs of modern America than a high-priced, gold-plated postal service, but unless mailers are given a choice in services it is impossible to know for sure.

B. POSTAL MONOPOLY

The postal monopoly law lies at the very heart of postal policy. Wise veterans of the Postal Service concede privately that unless the postal monopoly is changed nothing fundamental about the Postal Service will change. I have long thought that the biggest victim of the postal monopoly law is the Postal Service itself. The postal monopoly robs good men and women of the Postal Service of incentive and pride. It engenders a tangible (and unjustified) aura of self-doubt about whether the Postal Service would be able to succeed in the "real world." The monopoly corrodes labor relations at the Postal Service by depriving managers and employees of the Postal Service of a common commercial opponent. The monopoly intimidates customers who will not criticize the Postal Service too loudly for fear of being put at the end of the delivery queue. The monopoly necessitates time consuming regulation. It excuses endless political interference from members of Congress who feel, with some justification, that a government program should attend to the particular concerns of their constituents. As the staunchest commercial rivals of the Postal Service well understand, the postal monopoly law is the chain that binds the Postal Service hand and foot.

Despite such insidious effects, the dominant perception in postal circles is that the postal monopoly is the foundation of national postal service. The postal monopoly law has achieved the status of ancient wisdom. Has not Congress, since the birth of the

nation, repeatedly endorsed a broad postal monopoly law—today spelled out in Postal Service regulations—to sustain affordable postal service throughout the United States? An affirmative answer is generally assumed, but given the central importance of the postal monopoly to the long term future of the Postal Service, a better understanding of history and purpose of the postal monopoly law is desirable.

The original American postal monopoly law was derived from English precedents. The postal monopoly was introduced into English law in 1635 when the royal messenger service was briefly opened to the public. The public post office and postal monopoly became a fixture in English law in 1660 upon the restoration of Charles II. The original purpose of the English monopoly was to prop up Stuart kings by allowing them to enrich their friends and spy on their enemies. Up to the time of the American revolution, the English postal monopoly was essentially a tax, not unlike the stamp tax, that was used to raise general revenues for the government and, not so incidentally, to facilitate surveillance of suspicious persons. The Continental Congress established a colonial post office in 1782. The ordinance of 1782 included a sloppy replication of English postal monopoly provisions.

Although the first substantive postal act of Congress was adopted in 1792, the U.S. postal monopoly did not assume stable contours until the act of 1794. The American version of postal monopoly was less strict than the British. It reserved to the federal government the right to establish lines of posts for foot messengers or horse riders and prohibited similar staged carriers, such as stage-coaches and packet boats, from carrying letters. Unlike the British law, the American postal monopoly did not prohibit carriage of letters by individuals even if compensated. In fact, private carriage of letters by travelers was common.

The reason that Congress transplanted such an originally anti-democratic concept to American soil is unclear. Unlike the British, Congress did not use the postal monopoly as a means of raising general revenue. Nor did the Congress take advantage of the law to spy on the citizenry. Congress did, from the beginning, encourage national distribution of newspapers by keeping rates below cost. Losses on newspaper distribution were covered by revenue from high postage rates on letters. Thus the original intent of postal monopoly law may have been to protect distribution of newspapers by preventing private companies from establishing lines of posts and undercutting high official rates for letters. However, I have discovered no indication that private postal systems were truly considered a threat to the Post Office. Writing in 1833, Joseph Story, a member of the Supreme Court and author of the leading commentary on the Constitution, implied that the original purpose of the federal postal monopoly was to prevent a multiplicity of state post offices. Perhaps that was it.

The first major revision of the postal monopoly law came in 1845 when, as noted above, private express companies began to compete with the Post Office. Although undefined in the act of 1845, the term “private express” referred to a company that carried letters between cities primarily by means of passengers traveling on railroads and steamboat lines. Earlier in the decade the courts had ruled that such activities were not akin to horse posts and similar staged services and therefore not prohibited by traditional postal monopoly laws. Congress replied by extending the postal monopoly law to include carriage of letters by private express as well as by traditional postal-type services.

So far as official records now reveal, this was the first and last occasion in which Congress debated the postal monopoly at any length. Today, the 1845 act is often cited as evidence that Congress deliberately adopted an extensive postal monopoly in order to protect and promote universal postal service. Indisputably, the postal monopoly provisions of the 1845 act are the source for much of the language in today’s postal monopoly law. The thrust of the 1845 act, however, was an attack on the high letter postage rates that subsidized low newspaper rates and extravagant contracts for stage-coaches. Proponents of high letter rates and generous cross-subsidies, mainly from the South and the West, lost the day to supporters of “cheap postage” from Eastern and Middle Atlantic states. The second priority in the bill was reform of the much abused franking privileges. Revision of the postal monopoly law, the third major element of the bill, drew the least attention. Fervent pleas to extend the monopoly to all mailable matter were rejected, even though the law was updated by inclusion of private expresses in the scope of the monopoly prohibition. To the extent that it makes sense to interpret the motives of Congress in 1845 in modern postal policy terms—a highly dubious practice—the postal act of 1845 represented a retreat, not an advance, in use of the postal monopoly to fund universal postal service.

Despite textual paternity, the 1845 act was not, as commonly thought today, the foundation of the modern postal monopoly. The 1845 act barred private expresses from transporting letters and certain other mailable matter “from one city, town, or other place, to any other city, town, or place in the United States” where already served by the Post Office. Yet today private companies routinely provide intercity transport for letters after which they either deliver the letters themselves or tender them to the Postal Service for delivery at “drop ship” rates. Today, the crucial element of the postal monopoly law is the prohibition against private local delivery, that is, protection for the Postal Service’s “last mile” service. The 1845 act did not address collection and delivery services within city limits. In major cities, private “penny posts” flourished and introduced many of the attributes of what we now think of postal service: door-to-door service, adhesive stamps, street collection boxes, special delivery, and local parcel service.

The postal monopoly law was not extended to local services until February 1861. In

that month, as Southern states were seceding from the union, a lame duck House of Representatives, elected in November 1858, added an obscurely worded rider to the postal appropriations bill just as debate was drawing to a close. The rider declared that an 1827 ban against setting up horse posts and foot posts between cities would henceforth apply to intracity post-routes. The Congressional purpose underlying this provision is obscured not only by the absence of debate or committee reports, but also by the fact that the Post Office itself did not offer a passable local postal service until “free city delivery” was started in 1863, two years later. In 1861, a local post-route was a route designated by the Postmaster General for establishment of “suitable and convenient places of deposit” from which letters were collected by carriers appointed by the postmaster.

In 1872 Congress codified the postal laws for the first time since 1825. The postal monopoly provisions of this code were an amalgam of the provisions of 1794 (as reflected in acts of 1825 and 1827), 1845, and 1861, as well as other less significant provisions adopted over the years. Congressional sponsors and the Post Office proclaimed that the draft bill made no unnoted changes in substance to the postal laws. In fact, however, the 1872 code introduced, without explanation or debate, several important modifications to the postal monopoly provisions. In brief, the 1872 act provided that no person should establish a “private express” for the carriage of “letters and packets” nor should any stage-coach or similar common carrier convey “letters and packets.” Private expresses were barred from operating between cities and over local post-routes.

The postal monopoly of 1872, with minor amendments, is the postal monopoly of today. Key prohibitory provisions have been rephrased slightly and reenacted three times, in the Revised Statutes of 1874, the criminal code of 1909, and the criminal code of 1948. Related civil provisions have been reworded and reenacted in the only two codifications of postal law since 1874: the postal acts of 1960 and 1970.

Whatever monopoly Congress intended to codify in 1872, its scope and purpose have been muddled by a long history of confusing administrative interpretation. In the decades after 1872, the scope of the monopoly over “letters and packets” was interpreted, as Attorney General Wayne MacVeagh ruled in 1881, to cover only “letters” since the term “packet” was taken to mean a bundle of letters. MacVeagh considered the definition of “letter” was plain enough from “the idea which common usage attaches to that term.” Hence, he ruled, the letter monopoly did not include all first class matter—i.e., all matter in writing—but only items commonly termed “letters.” In particular, MacVeagh held that the postal monopoly did not include “written matter which is by law subject to letter postage when sent by mail, such as manuscript for publication, deeds, transcripts of records, insurance policies, and other written or partly written documents used by insurance and other companies in the transaction of their business.”

Over the years, MacVeagh's ruling and other narrow interpretations of the monopoly were supplanted by a series of inconsistent but expansive opinions issued by Post Office lawyers with scant legal justification. For example, postal lawyers claimed in 1916 that the monopoly included third class mail (advertising), retreated from this position in 1919 in the face of congressional inquiry, and then assumed a vague middle ground during the 1930s. In 1974, the Postal Service swept aside prior rulings and adopted regulations declaring that the statutory term "letter" includes all textual matter, including letters, newspapers, magazines, printed advertisements, books, checks, blueprints, and electronic media bearing textual data. The effective scope of the postal monopoly was then crafted by means of administrative regulations "suspending" this all-inclusive statutory monopoly for certain classes of users or certain types of services under conditions specified by the Postal Service. Suspensions were adopted for such items as newspapers, books (but only if more than 24 pages), checks (but only when sent between financial institutions), data processing materials (under certain conditions), and in 1979, urgent letters (under certain conditions).

What most mailers now think of as an ancient statutory monopoly is in truth a set of administrative regulations bearing little relationship to the acts of Congress. The postal monopoly law enacted by Congress refers only to "letters and packets." The legal keystone to the Postal Service's monopoly regulations—the so-called "suspension power"—rests on even more questionable legal grounds than its expansive interpretation of the term "letter." At best, the purpose and scope of the postal monopoly law are uniquely murky.

Legal doubts aside, and taking the postal monopoly regulations at face value, the scope of the American postal monopoly is extensive by the standards of leading postal reform countries. In the U.S., the monopoly includes letters and other first class mail, advertising mail and non-periodic publications of less than 24 pages, and parcels containing textual material such as blueprints or computer programs. There is no weight limit, but there is a price limit. The monopoly does not apply if a private carrier charges more than twice the domestic postage that would have been charged on a given item, provided the charge is at least \$ 3.00. Thus, for example, the postal monopoly prohibits private carriage of a two-pound parcel of documents unless the private carrier charges at least \$7.80. In contrast, in postal reform jurisdictions, the postal monopoly, if not repealed, is limited to items weighing roughly 4 to 8 ounces and priced less than 3 to 5 times the price of a basic stamp (i.e., \$1.11 to \$1.85 in U.S. terms). See table 1.

C. RATE REGULATION

For most of the last decade, postal reform debate in the United States has focused on how postal rates are regulated. This is not so in other countries. In Europe and other

Table 1. Postal monopoly in postal reform countries

Country	Weight limit (oz)	Price limit (multiple of basic stamp)	Comments
European Union	3.5	3	1 Jan 2003. Deadline for all EU countries to reduce monopoly from 5x stamp/ 12.3 oz.; most have not yet done so, but all meet prior limit. 1 Jan 2006. Deadline for reduction to 2.5x stamp/ 1.8 oz.
Finland	No monopoly		Monopoly replaced by license system, 1994.
Germany	7.0 (letters); 1.8 (ad mail)	5	Monopoly replaced by license system with statutory exclusive license for Deutsche Post, 1997. In 2002, the exclusive license was reduced and extended to 31 Dec 2006 when it expires.
Netherlands	3.5	3	Monopoly excludes ad mail, outward international mail.
Sweden	No monopoly		Monopoly replaced by license system, 1993.
United Kingdom	No monopoly		Monopoly replaced by licence system, 2000. Full competition to be introduced by 31 March 2006.
Australia	8.8	4	Monopoly excludes intra-company, advertising, and outward international mail
New Zealand	No monopoly		Monopoly repealed 1998.

places where postal reform has progressed, public debate has concentrated on issues affecting market structure: definition of universal service, scope of the postal monopoly, and rules governing international competition. American preoccupation with rate regulation arises in part because the Postal Reorganization Act subjects the Postal Service to more detailed rate regulation than in other countries. The House Government Reform Committee took up postal reform in 1995 in response to the Postal Service's insistent demands for greater price flexibility. Even today, disputes over fine points of rate regulation dominate the "policy" dialog among members of the postal community.

To understand rate regulation, the first step is to recognize what the Postal Rate Commission does not regulate. The Commission does not regulate the overall *level of postage rates*. The level of rates is determined by the "total revenue need" of the Postal Service. If the Postal Service determines that it needs, say, annual revenue of \$75 billion, the Postal Rate Commission cannot decide that \$65 billion is sufficient given efficient methods of production. In my opinion, failure to provide outside review of the level of rates charged by a monopoly enterprise represents a basic, logical flaw in the 1970 act. Nor does the Commission regulate the *quality of universal service*. In other countries, a regulator or minister determines parameters of universal postal service such as the minimum number of post offices and collection boxes, the maximum distance between households and the nearest collection box or post office, the percentage of mail that must

be delivered within certain time parameters, and procedures for handling complaints. The regulator monitors how well the post office meets these standards, and regulation of price and service are related. In the United States, detailed regulation of prices without more attention to service standards might be considered unbalanced.

What the Postal Rate Commission does regulate is *price structure*, that is, relationships between rates charged for different classes and subclasses. A “class” of mail is a definition of who can justly be charged a different postage rate from someone else. Each class of mail must pay a price that covers the costs that can be directly attributed to the carriage of such mail (“attributable costs”). In addition, about one-third of Postal Service costs are overhead costs that cannot be attributed to classes of mail. These are called “institutional costs.” Institutional costs are allocated to different classes according to several factors, including the ability of the mailer to find another way to transmit his message and the likelihood that the mailer will send more mail at lower rates. In each rate case, the Postal Service attributes direct costs to each class of mail and proposes rates based on a discretionary allocation of institutional costs. The Commission reviews the allocation of institutional costs and other technical issues in a contentious ten-month rate case in which major mailers and competitors participate.

In simple terms, the positions of the major players with respect to rate setting can be summarized easily. Each mailer believes that, for various reasons of public policy, increases in his postage rates should be reduced by shifting more institutional costs to other mailers. The Postal Service maintains that it should have greater flexibility to determine rates, classes, discounts, and individual contracts because it will be able to earn more money from the same set of customers, primarily, but not exclusively, by setting rates more in line with each mailer’s willingness to pay. Large mailers like price flexibility because they believe they can obtain rates more specifically tailored to their needs and generally negotiate lower rates by virtue of their market power. Small mailers fear that price flexibility means higher rates for them because they are unable to bargain or find alternatives to the mail. Competitors oppose price flexibility because it will allow the Postal Service to compete more effectively for large customers and might allow the Postal Service to use monopoly revenues to “cross-subsidize” competitive prices. The Postal Rate Commission has been skeptical about the fundamental fairness of price flexibility for noncompetitive postal products and takes the position that discounts for large mailers should be cost-based and not imply higher rates for other mailers. There is some merit in each position and no economically scientific way to resolve such disputes. In rate cases, the Postal Rate Commission, an impartial if not all-wise umpire, allocates institutional costs based on ratemaking principles declared in the 1970 act.

For seven years, the House Government Reform Committee sought to develop a more modern approach towards postal ratemaking. The last version was fashioned by

Representatives Burton, Davis (Danny), McHugh, and Waxman in spring 2002. The ratemaking provisions of this proposal reflected a long and careful look at the economics and politics of ratemaking. Broadly speaking, the House bill would give the Postal Rate Commission authority to develop a new more flexible approach towards regulation of noncompetitive postal products, that is, products in which the Postal Service faces no significant competition (the ultimate outcome would likely be a price cap regime). The bill would also give the Postal Service substantially more discretion to adjust rates for competitive products subject to limits designed to protect private companies from cross-subsidy and unfair competition.

Standing alone, revision of ratemaking principles—while desirable and extremely important to individual parties—will have only limited effect on the future of universal service and the Postal Service itself. The current statutory framework implies firm outer boundaries to rate flexibility. So long as the Postal Service has a dominant market position protected by law, the government must regulate rates to prevent the Postal Service from overcharging Aunt Minnie and other small mailers or undercharging products that compete with private companies. Given such constraints, only so much rate flexibility is politically feasible or economically justifiable.

D. THE BUSINESS MODEL

In February 2002, the General Accounting Office (GAO) summarized its conclusion that the fundamental long term concern in regard to the Postal Service is an inappropriate “business model.” GAO declared:

USPS’s basic business model, which assumes that rising mail volume will cover rising costs and mitigate rate increases, is increasingly problematic since mail volume could stagnate or decline further. USPS has also had difficulty in making and sustaining productivity increases. Moreover, USPS’s framework of legal requirements, which form the foundation of USPS’s business model, as well as practical constraints impede USPS’s ability to ensure its own financial viability. For example, USPS’s statutory framework, which includes a monopoly on letter mail, a break-even mandate, and a cost-based rate-setting structure, provides limited incentives to cut or restrain costs or to be innovative. Furthermore, USPS faces structural, legal, and practical constraints related to its infrastructure, including closing or consolidating postal facilities and realigning its workforce as its operations change. Other structural issues have been raised, such as USPS’s governance structure—for example, what type of governing board is appropriate for USPS, given the complex mission

and role of this \$70 billion entity with nearly 900,000 employees.
[GAO-02-355 at 4 (emphasis added)]

The validity of this diagnosis was brought home to me not long ago when I was asked to assist on a report for a senior Postal Service manager responsible for functions similar to services provided in the private sector. He wanted to know, in essence, “How can I organize my department so that I can legally hire, fire, pay, budget, contract out, partner, borrow, invest, and explore new business opportunities like the manager in a private company?” The short answer was, “You can’t.”

Today the Postal Service operates in a qualitatively different competitive environment from the 1970s. In 1968, the 200-page report of the Kappel Commission described the problems and prospects for postal reorganization without mentioning private carriers or other alternatives to mail service. In the ensuing three decades, the private sector has built what is virtually a second Postal Service. In terms of revenue, the network of private delivery services is now approximately as large as the Postal Service. And electronic alternatives pose a still more serious competitive threat. It is not surprising, then, that the “business model” of 1970 is proving inadequate.

Although competition is coming to the Postal Service, postal and other federal laws make it difficult for the Postal Service to reply in kind. The most visible of these restraints is the rate regulation of the Postal Rate Commission, which requires lengthy litigation before changing rates for competitive as well as noncompetitive products. The Postal Service is also barred from engaging in price negotiation with individual customers, an important competitive tactic in normal markets. However, the most fundamental competitive handicaps faced by the Postal Service are those that shape the organization. The postal monopoly, as noted above, inhibits innovation and corrodes morale. Statutory caps on executive salaries undermine the capacity of top management. The political process for selection of Governors limits the commercial acumen of the governing board. Federal procurement laws and regulations (some adopted by the Postal Service in self-defense) restrict the ability of the Postal Service to contract for certain goods and services. Financial provisions limit the ability of the Postal Service to borrow, invest, and enter into joint ventures.

Much activity in the postal world today is aimed at circumventing these institutional limitations. Conferences of mailers help to develop rates and solve technical problems. Consultants are brought in to advise on a range of management issues. Government agencies critique everything from employee relations to the capital budget. Much of this advice is undoubtedly well considered and useful, but is this any way to run a post office? There is no UPS Shippers Technical Advisory Committee. Government agencies do not prepare reports telling Fred Smith how to run Federal Express. Conceptually, the

proper business model is not a new and better list of recommendations by outside experts but an organizational framework that gives the Postal Service the tools and incentives to operate more efficiently without outside support.

More fundamentally, the “business model” of the Postal Service is really the regulatory framework for the delivery services sector viewed from the standpoint of the Postal Service (see the italicized portions of the GAO quotation above). In my opinion, this point of view is not entirely fair to Postal Service management. In the 1970s, airlines strove to outdo each other with more flights, snazzier amenities, and smarter lawyers. Prices soared and production was inefficient. One could have said, correctly, that the airlines were all pursuing the wrong “business model,” but such a conclusion would have unfairly implied that airline executives were inept or misguided. In fact, skilled airline managers were diligently responding to the wrong incentives, incentives created by outdated federal regulation. Senior airline executives took that system for granted. It was neither helpful nor reasonable to ask them to articulate their vision of a wholly different regulatory framework. Today in the postal sector, one can call on postal management to exert more leadership to modernize the “business model,” but one must also appreciate the limits to how much responsibility can be reasonably placed on the Postal Service itself. To reform the incentives, regulation, privileges, and governance of the Postal Service, the regulatory framework must be altered. This is primarily the responsibility of lawgivers and policymakers, not the Postal Service.

E. A LEVEL PLAYING FIELD

It is tempting to imagine that competitive issues presented by the postal laws begin and end with the postal monopoly law. In reality, obstacles to competition posed by the postal laws are more subtle and complex. Repeal of the postal monopoly law will not automatically create a competitive framework that is fair either to private companies or to the Postal Service. Nor are competitive distortions induced by current law limited to the range of monopoly products (however defined). The fundamental problem is this: the Postal Service and its private competitors have been established under wholly different sets of laws and any difference is prone to favor one side or the other. The Postal Service is an agency of the federal government, and the private companies are creatures of state corporate law.

The most prominent of these ancillary laws is the mailbox access rule which prohibits private companies from using personal mailboxes to deliver “any mailable matter” including items not covered by the postal monopoly. Since the 1970s, the Postal Service has required householders in new service areas to erect curbside mailboxes at their own expense to receive mail delivery. Only a government agency with a legal monopoly could accomplish this laudable feat. The curbside mailbox system provides a

very efficient means of delivering small items to the household for the benefit of all. By virtue of the mailbox access rule, however, only the Postal Service can make use of the mailbox to deliver competitive products. Private companies must incur the added cost of stopping and delivering non-monopoly documents and parcels to the door. There is no obvious reason why reputable companies like Federal Express and United Parcel Service should be barred from use of the mailbox. A study by the GAO indicates that most householders would welcome mailbox delivery by such companies. Steep federal criminal penalties (5 years imprisonment and/or \$500,000 in fines) are available if anyone should take advantage of such access to interfere with mail delivery.

Private express companies also cite other legal factors which favor the Postal Service. These include laws that grant the Postal Service (apparent) immunity from antitrust laws, special treatment under U.S. customs law, freedom from corporate taxes, a right of eminent domain, access to loans from the Federal Financing Bank at low government rates, and immunity from parking tickets and state vehicular licensing laws. Private express companies have also argued for a better accounting of postal costs and revenues and a clearer separation between accounts for competitive and noncompetitive products. For example, they suggest that the Postal Service should be required to price competitive products so that they bear a proportional share of common overhead costs and that losses incurred in the sale of competitive postal products should be covered out of revenues from other competitive postal products.

These issues, save for mailbox access, were carefully considered by the House Committee on Government Reform. The proposal developed by Representatives Burton, Davis (Danny), McHugh, and Waxman would generally apply major business laws (such as antitrust, customs, tax, and zoning laws) to the Postal Service's competitive products in a manner similar to the way they are applied to products of private competitors. The proposal also sought to strengthen accounting and financial provisions to prevent unfair use of monopoly revenues and assets. In addition, the proposal directed the Federal Trade Commission to prepare a survey of all federal laws that apply differently to competitive products offered by the Postal Service and private competitors.

It is difficult to argue with the proposition that, when the Postal Service competes with private companies, the laws should apply equally to all and the Postal Service should have no resort to monopoly revenues or other governmental privileges. At the same time, there is at least some merit in the claim that the "business model" of the Postal Service creates such handicaps that it cannot compete on equal terms with private companies. No private express company would have succeeded in the marketplace while laboring under the organizational impediments burdening the Postal Service. In general, in markets where the Postal Service and private companies have competed, the Postal Service has come off second best. The appropriate approach, however, would seem to be

to fix the “business model” rather than to preserve, or exacerbate, an unlevel playing field.

F. INTERNATIONAL POSTAL POLICY

A review of postal policy for the twenty-first century should consider international as well as domestic issues. Unfortunately, the international postal world is characterized by an arcane and bewildering cacophony of rules, fees, and politics quite different from the domestic postal world. International mail accounts for only about 0.5 percent of mail volume and 3 percent of postal revenue. Nonetheless, international postal policy is important, although it may be more important to the national economy generally than to the Postal Service specifically.

Development of global communications and transportation networks is inevitable. Not long ago, the declining cost of long distance telecommunications prompted poetic souls at *The Economist* to predict the “death of distance.” The United States has rightly sought to steer the emerging global economy into openly competitive channels that will promote efficiency, opportunity, and democracy. In such an environment, the American delivery services sector, like most American industries, can be expected to thrive. The U.S. is home to two of four private global delivery networks and the world’s largest direct marketing industry. The Postal Service, despite its focus on the domestic market, has more international traffic than any other national post office. Postal affairs beyond the water’s edge cannot be ignored.

The basic issue presented by international postal policy is whether the legal framework for international postal services should hinder or facilitate development of global delivery systems. As explained in Appendix I of the *Transformation Plan*, the current legal framework for international postal services is derived from the nineteenth century. The Universal Postal Union (UPU), an intergovernmental organization, was established in 1874. Like the International Telecommunications Union founded two years earlier, the UPU was organized on the premise that international communications is a matter of exchanging traffic between national administrations, each a public service sustained by monopoly rights. In modern times, these international legal frameworks have hindered development of global services because they created special rules and privileges for traffic handled by public undertakings. Global services require rules that do not discriminate between international and domestic traffic and do not favor local public administrations over foreign operators, public or private.

For international telecommunications, the nineteenth century paradigm was revised in 1997. Led by the U.S., the World Trade Organization endorsed an operator-based, rather than nation-based, framework for international commerce. In announcing the WTO

Basic Telecommunications Services Agreement, U.S. Trade Representative Charlene Barshefsky observed that henceforth international operators would be “providing seamless end-to-end services, not handing calls off to monopoly providers elsewhere.” In a nutshell, the issue is whether the international framework for postal services should follow this same path.

For a decade or more, the economic and commercial logic of an international postal law that is more receptive to global services has become increasingly apparent. In terms of volume, the international postal system is about the size of the Canadian post office, yet it is managed by a committee of postal officials from more than 180 nations. The rise of international express companies was credited by friend and foe alike as a demonstration of the superiority of unified central management over coordination among many national managers. In 1988, twenty major post offices began to explore supra-national management structures. In 1994, five post offices (Canada, France, Germany, Netherlands, and Sweden) entered into a worldwide joint venture with a major international express company, TNT. In the last five years, as described in Appendices G and I of the *Transformation Plan*, several European postal operators have combined with private international express companies and other national post offices to form global operators providing international mail, express, and parcel services.

In Europe, legal and policy developments have further highlighted the shortcomings of traditional UPU cross-border arrangements. In the 1980s, the rise of international *re-mail*—mail produced in one country and posted in a second country—brought matters to a head because suddenly post offices were competing with one another for international traffic instead of peacefully administering a shared monopoly. Among other innovations, re-mail took advantage of non-economic rates and fees arising from the UPU’s system of *terminal dues*, fees post offices charge each other for the delivery of inbound international mail. When European post offices conspired to suppress re-mail competition, the European Commission condemned their efforts as violative of European antitrust law. The prospect of intra-European postal competition prompted a review of European postal policy and ultimately stimulated a more procompetitive approach. For cross-border operations, European post offices adopted a terminal dues agreement, called “REIMS,” that, unlike the traditional UPU system, aligns terminal dues with domestic postage rates. Gradually, the production, printing, transport, and delivery of cross-border mail in Europe is becoming a more transparent and competitive market.

Within the Universal Postal Union, some European countries, usually joined by Australia and New Zealand, have sought to transform the organization into a neutral framework for the international transmission of documents and parcels by all sorts of carriers, global as well as national, private as well as public. As a practical matter, UPU reform comes down to a handful of key issues: (i) separating governmental and

commercial functions; (ii) making terminal dues consistent with domestic postage rates and available to all public and private operators; (iii) ending legal provisions that allow post offices to hinder re-mail; and (iv) modifying UPU-based customs rules so that, for equivalent items, they apply equally to all public and private carriers. While many countries opposed such measures, lack of progress was, in my judgement, due principally to the opposition of the United States.

In 1999, as a result of legislation in 1998, the Department of State took charge of the U.S. delegation to the congress of the Universal Postal Union held in Beijing. The UPU congress meets every five years to revise international postal conventions. In preparation for the Beijing Congress, the State Department consulted affected American parties, including mailers and private express companies. For the first time, the Department added a representative each from the mailing and private express companies to the U.S. delegation (compared to more than 30 delegates from the Postal Service).

In Beijing, two views emerged on the future of international postal law. Some, led by the U.S. Department of State, while eschewing specific reforms, argued that the UPU should convene an extraordinary congress in 2002 or 2003 to consider a new legal framework for international postal service that better reflected the trends of liberalization, globalization, and consolidation of public and private international services. On the other side, the majority, led by France, Canada, and Japan, argued that the proper role of the UPU was to act as the champion of public postal operators. According to this view, justified by the "universal service obligations" placed on post offices, the UPU should fashion national post offices into a successful competitor in the global marketplace through coordination, legal prescription, market research, and developmental aid. In the end, the opponents of reform triumphed. The only gesture towards reform was creation of a High Level Group to continue discussion of reform issues.

Since 1999, there has been much talk but little action regarding UPU reform. The United States, under pressure from the Postal Service, has not pursued aggressively the liberal global vision it announced to the Beijing Congress.

IV. POSTAL REFORM

A. WHY REFORM NOW?

Although I have not studied postal finances carefully, my perception is that the timetable for postal reform is not driven primarily by immediate fiscal problems. The Postal Service has large untapped financial resources. It can raise postage rates substantially before they become out of line with those in other industrialized countries.

Judging from the experiences of other industries and other post offices, the Postal Service can also eliminate a significant fraction of total costs if truly hard pressed. Moreover, the economics of postal service are such that the Postal Service can lose a significant fraction of first class mail (e.g., 25 percent) without drastic rate increases. Despite political unpopularity, neither a 50 cent stamp nor a 25 percent reduction in employment would jeopardize “universal mail delivery” or the “viability of postal services.”

In my mind the case for reform rests on broader, more solid grounds. It seems fair to conclude that the regulatory framework established by the postal monopoly of 1872 and the Postal Reorganization Act of 1970 does not today provide for an efficient and innovative supply of postal and delivery services appropriate to the economic and social needs of the nation. We can do better. This observation alone would justify fundamental reform now. Looking ahead a decade or two or three, it seems clear that the volume of letters will decline sharply, that physical and electronic alternatives for the distribution of all types of physical text will continue to develop, and that major portions of the delivery services infrastructure will be organized on a global rather than a national basis. The pace of change is unpredictable, but the capacity of the current regulatory framework to accommodate such fundamental change is surely limited. A second reason for reform is therefore that presently foreseeable changes now threaten to overwhelm the current regulatory framework and leave behind a large, expensive, inefficient, and inadequate government postal organization. We should be able to do better than that.

It is, of course, the pace of change, even more than ongoing inefficiency, that lends special urgency to postal reform. To illustrate this point, let us (recalling developments since 1990) imagine the delivery services world of, say, 2015. By 2015, the postal monopolies in most industrialized countries will probably have been abolished for five years or more, and several major post offices will be fully or mostly privatized. Mergers and alliances between public and private operators will likely be continuing in a manner foreshadowed by events in the last decade. One can speculate about such combinations as Deutsche Post and Airborne or R.R. Donnelly, UPS and TNT Post Group, or FedEx and the French or British Post Office—and in each case, add one or more large operators from the Far East to the mix. While these groupings are purely hypothetical, they illustrate how the logic of global systems could lead to further consolidation among large players. However organized, global companies are likely to operate major parcel and express systems throughout the United States, Europe, and Japan and to manage postal services in a number of countries. Moreover, by 2015, one can imagine that in all industrialized countries, including the United States, traditional postal markets will have changed significantly. By this time, a sizeable fraction of letter mail may be lost to electronic alternatives. Growth in advertising mail may have continued but more slowly due to higher rates. The majority of the traditional mail stream by this date will almost certainly be advertising mail, rendering the “universal service obligation” far less

politically compelling.

Commercial success during this period of technological advance and globalization will test the capabilities of even the best management teams. It is possible that one or more of the leading public or private operators of today will stumble. How well is the present Postal Service equipped to prosper in such a commercial and technological environment? Considering the Postal Service's response to change and new markets over the last three decades, the answer must be "Not very well." How long would it take to transform the Postal Service into a commercial entity adjusted to such an environment? Keeping in mind the records of companies like Penn Central, AT&T, Pan Am, and United Airlines, as well as the experiences of national postal administrations in the leading postal reform countries, the answer is probably "A decade or longer." From this perspective, reform of the U.S. postal laws may be not merely urgent, it may already be too late.

B. AN EVOLUTIONARY REFORM STRATEGY

To identify and define the regulatory framework for the Postal Service and the delivery services sector that will best serve the social and commercial needs of the United States for the twenty-first century represents an exceedingly complex legal, economic, and political undertaking. To pave the way for legislative agreement represents an even greater challenge. In many countries, policymakers have found postal reform to be one of the most politically intractable of economic policy issues. In the European Union, for example, the European Commission took five years to develop a vision for postal services suited to the goal of a single European market. It then took another five years before, in 1997, the Council and Parliament were able to agree on a much reduced reform package. After a second set of marginal reforms, adopted last year, the European Commission is now due to submit a proposal for a permanent regulatory framework in 2006 with a target date for implementation in 2009. Agreement on sector reform takes a long time, and agreement on postal sector reform seems to take forever.

Therefore, rather than seeking immediate consensus on a permanent solution, I would suggest the Commission consider measures that will introduce into the postal regulatory framework a new capacity for evolution. A capacity for evolution does not require agreement on the final shape of the regulatory framework. Nor would it necessitate an abrupt dismantling of the familiar foundations of the current system. To prepare for the long term, however, the capacity for evolution must be more than incremental. It must be suited to the large scale of economic policy reforms adopted in related sectors since 1970 and to the enormous commercial challenges for the Postal Service now looming on the horizon. Some steps that might advance such a reform strategy are described below. They are offered by way of illustration only.

1) *Regulatory framework/business model: reorganize the Postal Service as a private law corporation with all shares owned by the government.* Corporatization should enhance present efficiency and prepare the Postal Service for more fundamental transformation in the future. Corporatization will empower postal managers to operate with the same tools employed by any other corporate officer, free of contracting and employment constraints placed on federal agencies. A corporatized Postal Service will be better able to adjust to major changes in the technological and commercial environment, such as a drastic decline in the volume of letter mail. In many respects, corporatization is merely a continuation of the process of commercialization begun in 1970. Although a corporatized Postal Service would remain a government enterprise, corporatization could serve as preparation for transition to a different regulatory framework if later deemed appropriate by Congress. For example, a corporatized Postal Service would be amenable to a licensing scheme in a framework of regulated competition or to a transfer of ownership, in part or in whole, to postal employees or the general public.

The essence of corporatization is a clear separation of commercial and governmental responsibilities, and this separation will take time. As a normal corporation, the Postal Service would be divested of all but a few specified governmental privileges and responsibilities, and these would be administered by the PRC. Corporatization will demand rethinking many of the muddled quasi-governmental, quasi-commercial aspects of the Postal Service such as debt and financing arrangements, the police powers of the postal inspection service, criminal laws relating to the mail and postal operations, the rights of postal employees, the rulemaking power, and the selection process for members of the governing board. Transitional mechanisms will be needed. Nonetheless, because a corporatized Postal Service should be better managed, more commercially flexible, and more adaptable to long term changes in the commercial environment or regulatory framework, corporatization could now be considered prudent preparation for an uncertain future.

2) *Regulatory framework: reestablish the Postal Rate Commission as the Postal Regulatory Commission.* To permit evolution of the regulatory framework, authority to make adjustments in basic regulatory norms must be delegated to one or more regulatory agencies. In the nineteenth century, substantive amendments to the postal laws were a regular part of the business of each Congress. In the twenty-first century, postal policy no longer enjoys the same prominence and reliance on continual legislative adjustment is tantamount to a strategy of inflexibility. Unless Congress delegates authority to update elements of the regulatory framework to a regulatory agency, key provisions like the universal service obligation and the postal monopoly must remain antiquated legislative orders frozen in time or vague commands interpreted at will by a business-like Postal Service too vulnerable to commercial pressures.

Although other agencies could play a role in regulating the postal sector, the most appropriate repository for most authority to adjust the regulatory framework would seem to be the Postal Rate Commission. Yet such an approach implies a regulatory role well beyond that envisioned for the Rate Commission in the Postal Reorganization Act of 1970. To fortify the Rate Commission for new responsibilities, members of the House Government Reform Committee proposed reestablishing the Rate Commission as the Postal *Regulatory* Commission. Members of the new PRC would be required to meet standards of professional competence. The new PRC would also be given enhanced budgetary and investigative authority. The House proposals should be considered seriously, and perhaps expanded upon, to equip the PRC for overseeing the necessary evolution of the regulatory framework of the postal sector.

3) *Universal service: authorize the PRC to issue regulations implementing the current statutory universal service obligation and to grant limited exceptions.* Consistent with corporatization, the government, not postal management, should bear responsibility for imposing added costs on some mailers in order to underwrite losses incurred in providing services to other mailers. The current statutory definition of universal service is broad but vague. An impartial body like the PRC should be authorized and responsible for interpreting this congressional mandate. To reintroduce pre-1970 flexibility into the universal service obligation, the PRC should also be authorized to issue exceptions to statutory guidelines, provided such exceptions are demonstrated to advance the public interest. For example, the Postal Service might be relieved of the uniform letter rate requirement for bulk mailings. To better inform future policy analysis, the PRC should annually determine the cost of fulfilling the universal service mandate and the quality of services provided.

4) *Postal monopoly: recast in simpler, more limited terms and authorize the PRC to grant limited exceptions.* The postal monopoly of 1872 is antiquated. It should be replaced by a simpler, more limited formula similar to that used in postal reform countries that have not repealed the monopoly. The new formula should place a desirable measure of added competitive pressure on the Postal Service without casting doubt on its survivability. To maintain current flexibility, the PRC should be authorized to create new exceptions to the postal monopoly, similar to the Postal Service's "suspensions," on condition that they do not undermine universal postal service. In addition, the PRC could permit individual private carriers to deliver to the mailbox. Such authority could lay the groundwork for a future licensing system as adopted in several postal reform countries.

5) *Rate regulation/level playing field: revise more or less as set out in the 2002 proposal of the members of the House Government Reform Committee.* The Burton-Davis (Danny)-McHugh-Waxman proposal was the result of many years of consideration and compromise. This proposal provides a rate setting process that is more flexible than the

current system and authorizes the PRC to make ongoing improvements. Mechanisms to prevent unfair treatment of small mailers and private competitors were a central concern. There are no absolutely right answers to these issues. The thoughtful proposal of the members of the House Government Reform committee deserves substantial consideration.

6) *International postal policy: authorize the PRC to review economic aspects of international postal conventions.* While the Department of State should have ultimate authority to determine foreign policy and national security elements of international postal conventions, the PRC should review and approve economic aspects of international postal conventions for consistency with the national economic policy. The role of the PRC should be patterned after the international regulatory responsibilities of the FCC and the old Civil Aeronautics Board. The FCC and the CAB were instrumental in making international commerce in their respective sectors more transparent and cost-based; the PRC could play a similar role in international postal affairs. At the same time, the Postal Service should be entirely free to negotiate and conclude normal commercial arrangements with foreign postal operators, public and private, without review.

7) *Regulatory framework: create an office of postal and delivery services policy within an Executive Department.* To lay the groundwork for further revision in the postal laws, an office within an Executive Department—perhaps, the Department of Transportation—should be established to monitor development of the delivery services sector and develop new policy proposals. The new office would serve as a focus and spokesman for administration policy.

Again, the foregoing steps should be regarded as illustrations of a strategy of evolutionary reform rather than specific proposals. In sum, the aim of this strategy would be to allow the postal sector to become fundamentally more adaptable, commercial, and competitive over time while, for the present, retaining the main pillars of the current system: the government-owned Postal Service, the universal service obligation, and the postal monopoly.

Introducing a capacity for evolutionary reform of the regulatory framework falls short of a final solution. Over the course of the twenty-first century, I suspect that trends in the delivery services sector will require the United States to consider seriously privatization of the Postal Service, in part or in whole, and shifting to a system of regulated competition in the delivery services sector or even to unregulated competition. Alternatively, it seems possible, although less likely, that the United States may want to shrink the role of Postal Service to that of provider of residual services. These changes, however, are so far reaching and affect so many people that a second special commission may be needed to develop the necessary political consensus. Introducing a capacity for

evolutionary reform in the short term will set in motion the groundwork necessary for a final regulatory framework and give the American people more time and better information to make that decision.

In view of the great tasks assigned the Commission, I would like to close with the final words of Rowland Hill's seminal 1837 pamphlet, addressed to a similar government commission. As mentioned above, postal reforms advocated by Hill, realized in the English postal act of 1840, were the genesis of the modern, universal, affordable postal services of today. Hill finished his pamphlet on an optimistic note that, even today, may not be entirely misplaced:

Let the Government then, take the matter in hand; let them subject these proposals to the severest scrutiny, availing themselves of the information possessed by able men who constitute the present Commission of Inquiry; let them proceed with boldness which the present state of [affairs] justifies and requires, and they will add another claim—not inferior to any they now possess, nor one which will pass unregarded—to the gratitude and affection of the people.

Thank you.

FOR FURTHER INFORMATION

Many points in this statement are discussed at greater length in papers that I have posted on the internet at www.jcampbell.com. In particular, I have drawn on the following: "An Introduction to the History of Universal Postal Service" (Aug. 2002); "Evolution of Terminal Dues and Remail Provisions in European and International Postal Law," in *The Liberalisation of Postal Services in the European Union*, edited by D. Geradin (Kluwer: Brussels, 2002); "Modern Postal Reform Laws: A Comparative Survey," in *Postal and Delivery Services: Pricing, Productivity, Regulation and Strategy*, edited by M. Crew and P. Kleindorfer (Kluwer: Boston, 2002); "The Roots of Deregulation: Why Aviation and Telecommunications But Not the Post Office?" in *Managing Change in the Postal and Delivery Industries*, edited by M. Crew and P. Kleindorfer (Kluwer: Boston, 1997). Further material on the history of postal reform in the United States, Europe, and the Universal Postal Union may be found in my book, *The Rise of Global Delivery Services* (2001), available from Amazon.com or my website. I have also made use of an unpublished, comprehensive history of U.S. postal monopoly law, which I will provide the Commission on request.

Full references for foreign government reports mentioned in the statement are: Australia, Industry Commission, *Mail, Courier and Parcel Services: Report No. 28* (Canberra: Gov't Pub. Serv., 1992); Australia, National Competition Council, *Review of the Australian Postal Corporation Act 1989* (Australia: AGPS, 1998); European Union, Commission, *Green Paper on the Development of the Single Market for Postal Services* (COM[91]476 final) (Brussels: EU, 1992); New Zealand, "Report of Officials Committee to Cabinet State Agencies Committee" (Oct. 1988); United Kingdom, Postal Services Commission, "Promoting Effective Competition in UK Postal Services: A Decision Document" (May 2002).

More generally, the following sources of information are especially fruitful, among others:

- Hearings by the House Subcomm. on the Postal Service (1995-2000).
- Economic studies by Robert Cohen and others (c. 1992 to present); available from the Postal Rate Commission, www.prc.gov.
- Reports on U.S. and foreign postal services by the General Accounting Office (c. 1995 to present); most are available from GAO's website, www.gao.gov.
- Nine books on postal policy, variously titled, edited by Michael Crew and Paul Kleindorfer (Kluwer Academic Publishers, 1991 to 2002) (www.wkap.nl). Articles are contributed by leading figures from academia, government, and industry in and out of the U.S.
- Books and articles on U.S. postal history by Richard R. John (www.uic.edu/depts/hist/Faculty/john.html) and by Richard B. Kielbowicz (www.com.washington.edu/Program/Faculty/Faculty/kielbowicz.html). Some of Prof. Kielbowicz's papers are available from www.prc.gov.

Finally, I will be glad to provide the Commission with specific references for any particular point in the statement on request. Please email jcampbell@jcampbell.com.