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COMPETITION IN MAIL DELIVERY: AN IDEA WHOSE TIME HAS COME

Walter Block

Now that the latest round in the perennial strike of the Canadian Union of Postal Workers (CUPW) against the public is ended, this gives us an opportunity to reflect upon some basic issues related to the delivery of mail.

We can concentrate, that is, not on the complete cessation of postal services, but rather on business as usual: inefficiency and mismanagement, poor service, surliness, insensitivity.

As evidence of the first, the Canadian Post Office has run up a deficit of more than \$1 Billion in the last three years alone. On poor service, everyone has their own favourite horror stories. But any list must include the Jesuit Priest in Toronto who in 1979 received a postcard—mailed to him in 1947. The Kitchener Post Office which lost 500 bulletins from a local golf club—for the second year in a row—certainly deserves honourable mention.

Regarding surliness, we can each relate our own tales of woe. But these take place on an individual, private basis, unknown to anyone else. Not so are the public statements by Prime Minister Pierre Elliot Trudeau, who mused, not too long ago, that the Post Office might do away with home delivery of mail altogether (it's such a bother) on the spurious ground that postal service is a privilege, not a right. (Can you picture the milkman, the druggist or the department store owner threatening to end home delivery for this reason?).

But Postmaster-General Andre Ouellet's recent statement surely deserves first prize in the surliness sweepstakes. Said this worthy, "I can't

accept that businessmen have to rely on the Post Office to make a living. If they do, they better find other ways."

And as for insensitivity, everything else palls into insignificance compared to the initial refusal of the Post Office to issue a Terry Fox memorial stamp while this Canadian hero was still alive. Such behaviour, of course, is only to be expected from an organization protected by a government grant of monopoly privilege. It can ignore the wishes of its paying customers, secure in the knowledge that no competitor is standing in the wings, waiting to take over any lost business.

The postal dinosaur was recently converted to a Canadian Crown Corporation under Bill C-42. Putting the Post Office "on a business footing" is widely expected to accomplish wonders for Canadian mail delivery, management efficiency, cost and responsiveness.

The evidence, however, provides little justification for such optimistic expectations. A similar experiment occurred south of the border in 1970, when the U.S. Post Office, a cabinet-level department, was converted to the U.S. Postal Service (U.S.P.S.) administered by an independent board, like a private company. Yet the U.S.P.S. is still wallowing in red ink and inefficiency; customer complaints continue apace, and its planned conversion from a 5 to a 9 digit postal code seems destined to sow even more confusion, and is widely opposed by consumers.

Nor has conversion to Crown Corporation status proved an unqualified success in other areas of the economy. Witness the accounting quagmires in Atomic Energy of Canada, the rampant featherbedding in CN, and the labour unrest at CBC.

The Crown Corporation Post Office which will emerge from Bill C-42, moreover, will be entirely different from most other Crown Corporations: it will be legally protected from competition.

Instead of replacing one version of postal monopoly with another, let us therefore consider a different alternative: the introduction of the bracing and invigorating winds of competition into the mail service industry; the ending, that is, of all legal prohibitions against private mail delivery.

Such a proposal is also in keeping with government efforts to amend the present Combines Investigation Act, so as to render the Canadian economy more competitive. It would be hypocritical and inconsistent to push for more competition in the private sector, under Combines Legislation, while continuing to allow a Post Office Crown Corporation to hide from competition behind government skirts.

There are of course several objections which have been launched against competitive mail delivery. Let us consider them:

1. "But it has never been done before".

In many ways, we are slaves to the tyranny of the status quo. Competing private post offices are not within the actual experiences of any

living person, so we conclude that such a scheme is wild-eyed and cannot work.

It is a mistake, however, to think that just because a thing has never been done, that therefore it cannot be done. This can be seen in the cases of those who opposed, at their inception, things like "horseless carriages", "talking" movies, or airplanes.

Had the government always been in the business of manufacturing shoes, and someone asserted that private enterprise could probably accomplish this task as well, he would probably be laughed out of court. People would ask derisively, how many private shoe manufacturers would there be? Who would determine the length of shoe laces? the styles? the colours? and most telling of all, how would poor children ever be able to afford to buy shoes? Yet, in our present economy, all of these "problems" are solved without fuss or fanfare. Indeed, these questions never arise.

So even had there never been a working example of private mail delivery in operation, this would not prove the idea unviable. Fortunately for the literal-minded, however, history is replete with such cases. Wells-Fargo, Pony Express and the American Letter Mail Companies were all private concerns which functioned and prospered during the last century—until driven out of business by laws upholding a government monopoly post office.

In the present era, independent courier and delivery services include such as D-Line, Speedy, Loomis, BCD, Purolator, and CanPar. Also of recent vintage was a husband-and-wife postal company in Rochester, New York, which successfully competed with U.S.P.S. for first class mail delivery—until forced out of business in violation of the Post Office monopoly laws.

2. Private mail delivery services would "skim off the cream" by concentrating on the lucrative urban centres (where even the present Post Office can operate in the black) and ignoring the unprofitable rural and outlying areas.

But this is an argument for competition in mail delivery, not against it.

Under the present system, the government charges far less than the full costs for rural postal service, and makes up for this by highly overcharging cheap-to-deliver urban mail. This is unwise and uneconomic. It artificially stifles the growth and development of Canadian business located in cities by, in effect, imposing an extra tax on mail communication.

True, the mail subsidy in remote areas of our country encourages settlement there. But this is yet another argument for, not against, competition. The reason is simple. There is no public policy benefit whatever to be obtained by artificially encouraging the over-settlement of Canadians in outlying districts. The economic reason for wilderness or

tundra location is the additional wealth to be obtained there. If so, then the economic (or psychic) surplus should be sufficient to defray the extra costs of importing mail service. The price of food, entertainment, fuel, and other items reflect additional transportation costs to the northern climes. Why not mail?

Newspapers, periodicals and junk mail also receive a postal subsidy. (This is perhaps an important explanation of the popularity of the present system throughout large segments of the business community). But the same analysis applies here as well. There is simply no public policy justification for this sector of the economy not pulling its full weight. Resources cannot be optimally allocated, and consumer sovereignty assured, unless all goods and services are worth more to buyers than the *full* costs necessary to produce them.

The third class mail subsidy, moreover, is a cruel, unconscionable, and regressive tax on the poor, who are under-represented in the ranks of its beneficiaries.

3. With private competing Post Office companies, there would be great confusion as to prices, reliability, quality of service, extras, and so on.

Welcome to the real world. This is what competition is all about. A continual struggle, on the part of each firm, to lower prices, improve product offers, increase reliability and service. Naturally, under such conditions, there will be a certain amount of "confusion". This is a necessary symptom of progress, and usually a sign of economic health. Witness the continually changing state of the arts regarding business office equipment, telecommunications, computers, satellite dishes, video disks and tapes. If electronic mail is to be effectively introduced, it will certainly not be done by a moribund monopoly Crown Corporation Post Office.

But for those who relish continuity, stolidity and old ways of doing things, the marketplace can serve as well: all that need be done is to continue to patronize the Canadian Post Office (Crown Corporation). There is thus nothing to fear from the private sector. If enough people simply ignore private postal firms, they will go away soon enough.

4. Labour relations would be exacerbated.

On the contrary, there is every reason to expect a labour relations improvement from competition in the postal industry. It is difficult to imagine how labour relations could possibly worsen under competition. The record of the Canadian postal service is truly unenviable. Over one million person-days have been lost due to labour stoppages in 1974, 1975, and 1978. In 1975, this was equivalent to fully 6.3% of total post office labour force availability. (In contrast, the record Canadian mine strikes in 1978 wasted only 4.3% of total man-hours). And, although comparative figures are not yet available, the recently concluded CUPW strike has surely wasted a significant amount of labour effort.

Under the present system of monopoly, when CUPW walks off the job, Canadian postal service is stopped dead in its tracks. But with both potential and actually competing private firms, it would be far more difficult to end service entirely: any such occurrence would immediately encourage the expansion of already existing firms, and the creation of new ones.

We must conclude that the case for competition in mail delivery is a compelling one. It will help consumers, business people and the entire Canadian economy. These changes are long overdue.