

## **You've got (no) mail**

*The postal service has been hit hard by the recession and by faster competition.*

Engraved magnificently above the columns of the main post office in Manhattan is a promise of the postal service's resilience. "Neither snow nor rain nor heat nor gloom of night", runs the motto, "stays these couriers from the swift completion of their appointed rounds." Inclement weather is one thing, but the downturn is posing a greater challenge. Starting on May 9th, New York's main post office, which prides itself on being open 24 hours a day, will close its overnight window. Other post offices round the country may close down completely.

This recession has been particularly cruel to the postal service, already battered by the popularity of e-mail. Last year saw the biggest decline in mail since the Depression: volume fell by 4.5%, or about 9 billion pieces. The postal service ended the 2008 fiscal year with a \$2.8 billion loss, and the next two years may well be worse. "No one knows at what point mail volume will bottom out," said the postmaster-general, John Potter, in his testimony before the Senate in January. He thinks the service could lose as much as \$6 billion in 2010.

Congress has encouraged the postal service, which is an independent agency under the control of the executive branch, not to rely on government money and to function more like a company. It has not given the agency a handout since the early 1980s. So Mr Potter has been trying to cut costs. The country's third-largest employer, the postal service is reconfiguring delivery routes, reducing work hours and cutting staff through attrition. It is raising rates to try to bring in more revenue, and also planning a summer sale to entice businesses to send mail in bulk at discounted rates. Some of its biggest customers, the housing and financial industries, have sharply reduced their direct-mail budgets because of the recession. The postal service wants to lure them back.

In spite of these cost-cutting measures, Mr Potter knows that, without help, the service could run out of cash by the end of the year. He has asked Congress to consider changing the law and allowing the postal service to cut deliveries from six days a week to five. A Gallup poll shows that most Americans would rather see a cut in services than an increase in stamp prices or a government bail-out. But not everyone agrees. Businesses, which send advertisements in bulk, will be fierce opponents of any reduction in delivery days. And fewer deliveries may give the impression that the mail is slower and less reliable than it was before the recession.

Mr Potter has also asked Congress to modify a 2006 law that requires the service to pre-pay employees' future retirement benefits. It is the only agency that does such a thing, and delaying the payments would save \$2 billion this year.

The timing of Mr Potter's call for help was inopportune, to say the least. He never asked Congress directly for a bail-out in his testimonies before the House and Senate, but he was in the company of CEOs from the car, insurance and financial-services sectors who did. False reports that Mr Potter earned \$800,000 in 2008 tended to distract from his cause. "We're not asking for a handout," he says.

Whatever action Congress takes to help the postal service weather the recession, a larger question looms. Will new technologies kill the mail? Letter-writers and advertisers are increasingly going online, and customers are paying their bills over the internet. Postal services in other countries are experimenting with offering electronic mail services to customers; some have expanded into banking too. But the Postal Accountability and Enhancement Act of 2006 actually forbids America's postal service to do anything but handle the mail—in snow, rain, heat and gloom, and in the teeth of possibly mortal competition.

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