



15 June 2011. Arlington, Virginia

Government, Technology, and the Post Office

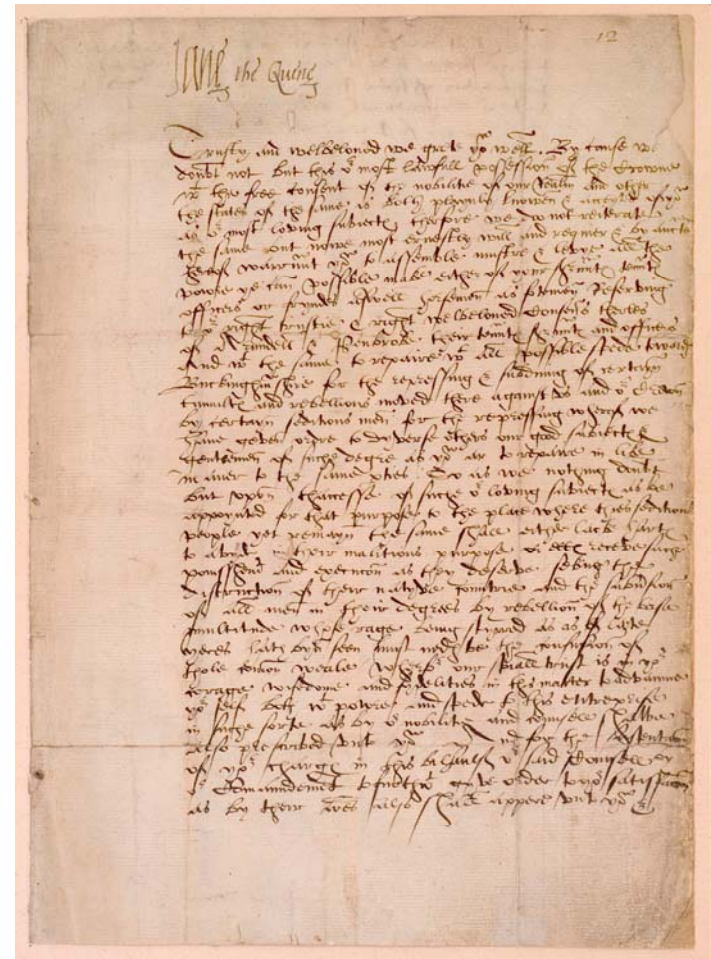
James I. Campbell Jr.

"The longer back you look, the farther you can look forward."

-- Winston Churchill

National Post Office, 17th and 18 centuries

- The British PO founded in 1635 as "national security" measure
 - To control the circulation of *letters*
- National PO and Government
 - Government interest: national security; revenue; and patronage
 - Economic function:
 - Provider of rapid and reliable long distance transportation services
 - Suited to transmission of letters, small valuables, newspapers (gradually)
 - Technology: relays of mounted riders and "stage" coaches



U.S. Post Office – 1792 to 1830s

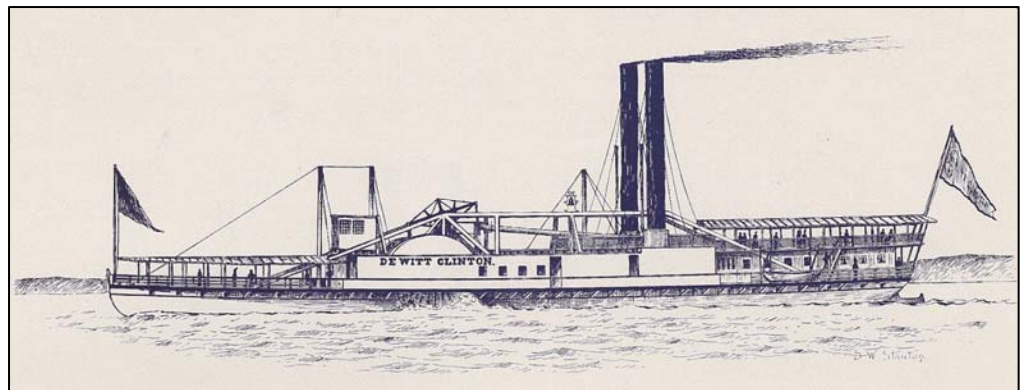
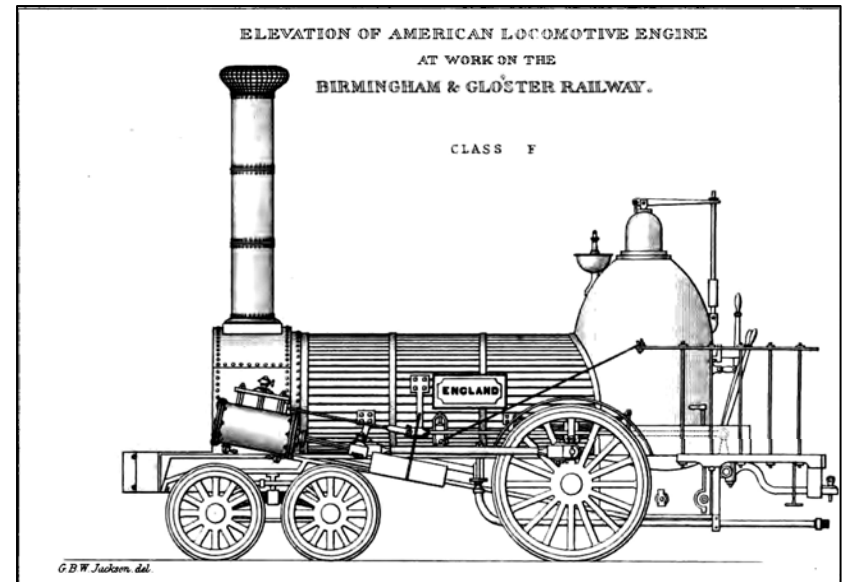
- Government interest
 - Not national security or revenues
 - Distribute the News (to build first continental democracy)
 - Letters for political and commercial elites



- Functions
 - Rapid and reliable long distance transportation by means of "post roads" (relay stations)
 - Extend to land transportation system - stage coaches

Post Office and Industrial Revolution

- Steam powered railroads and ships
 - Reduced travel time and cost of transportation and increased regularity
- Post Office's core competence – rapid and reliable long distance transportation -- was taken over by new infrastructure services



Innovations in Delivery Services, 1830s to 1850s

Private express companies

- Cheaper, faster national service
- Parcels as well as letters



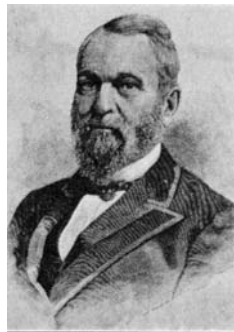
From the "Express Gazette"
THE LETTER BAG CARRIED BY
W. C. GRAY, AN EXPRESSMAN
WHO PRECEDED HARDEN



From "Harper's Monthly Magazine"
POMEROY'S EXPRESS LETTER-CARRIER PURSUED BY GOVERNMENT AGENTS



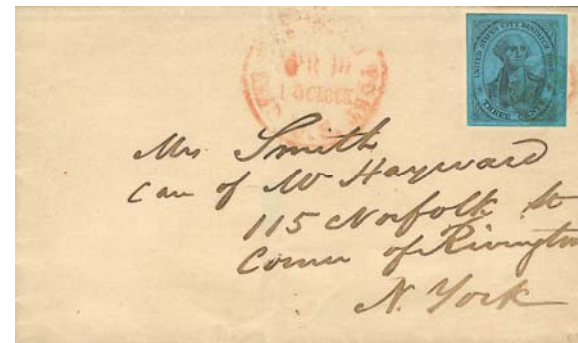
Loane by George B. Sloane
HENRY WELLS



WILLIAM G. FARGO

Local express companies

- City collection and delivery service
- Cheaper, up to 6 deliveries per day
- Adhesive stamp, collection box, etc
- Parcel service, special delivery



Industrial Revolution Gave and Took Away

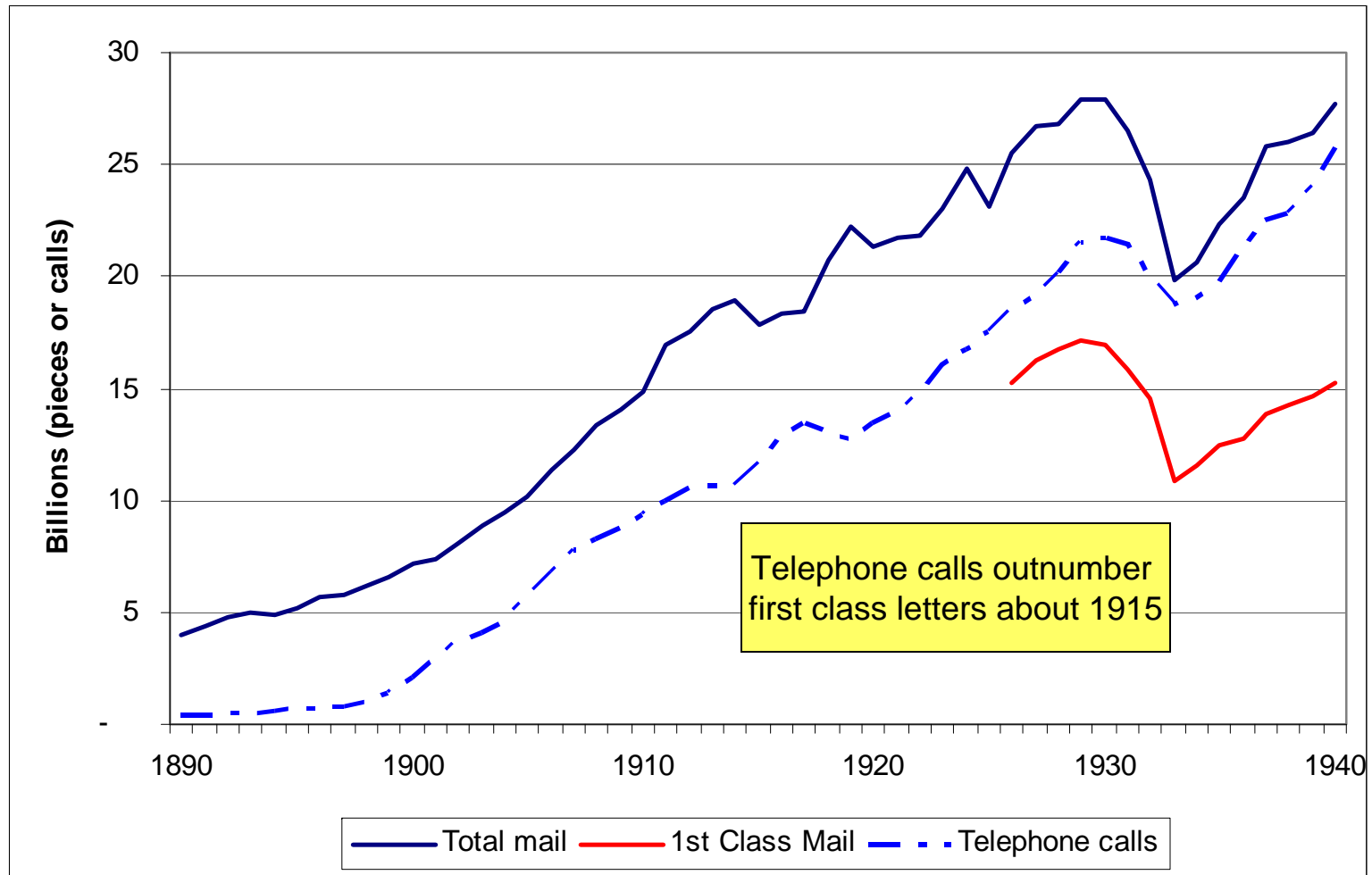
- New core competence: collection and delivery of letters
 - Unique service became collection and delivery
 - Cheap postage: POD became a letter exchange system
 - Private expresses out of business by extension of postal monopoly to inter-city services (1845) and local services (1861)
- Larger cities increased need for local collection and delivery
- Steam presses produced larger newspapers and magazines
- Communications monopoly lost
 - Telegraph, 1840s
 - Telephone, 1880s

First half of 20th Century: Cars and Planes

- Trucks
 - Parcel Post 1916
 - Rural Delivery 1902 to 1
- Air transportation
 - 1918-1926. First airmail service, operated by Post Office
 - 1925-1930. Economically unreasonable POD contracts
 - 1930. PMG Brown created the “Big Four” airlines
 - United (northern); TWA (central); American (southern); Eastern (east)
 - 1934 to 1938. Scandal and investigation leads to CAB



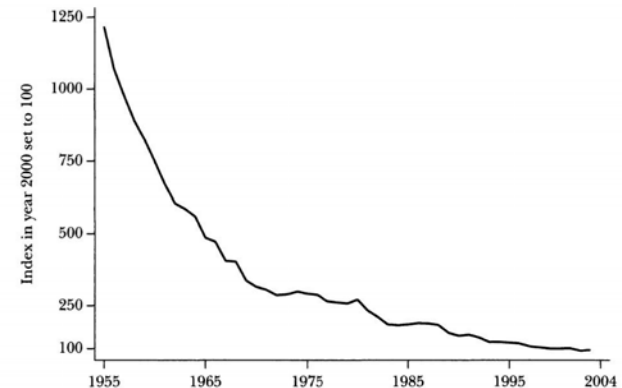
First half of 20th Century: Telephone Calls



Second half of 20th Century: Decline of Distance

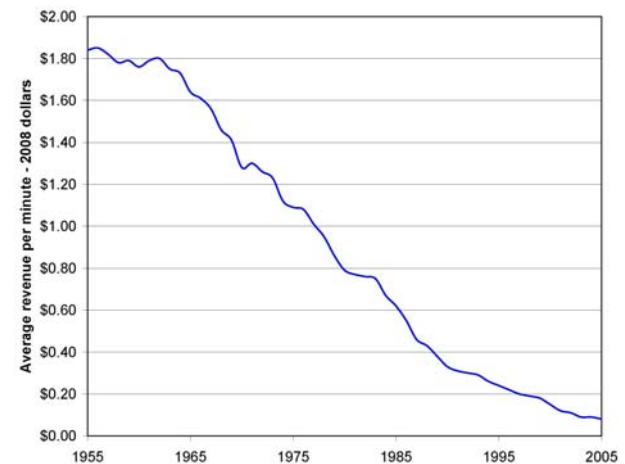
- Trucks
 - Interstate hwy: 1956-1980 (94%)
 - Deregulation, 1980
- Air transportation
 - Jets 1950s; Wide body, 1970s
 - Deregulation, 1977-78
- Telecommunications
 - Direct dialing, 1950s; trans-Atlantic cable, 1955; satellite, 1965; Packet switches, 1973
- Ocean shipping
 - Containerization, 1960s

Worldwide Air Revenue per Ton-Kilometer



Source: International Air Transport Association, *World Air Transport Statistics*, various years.

Rates for world air freight per ton/km 1955-2005

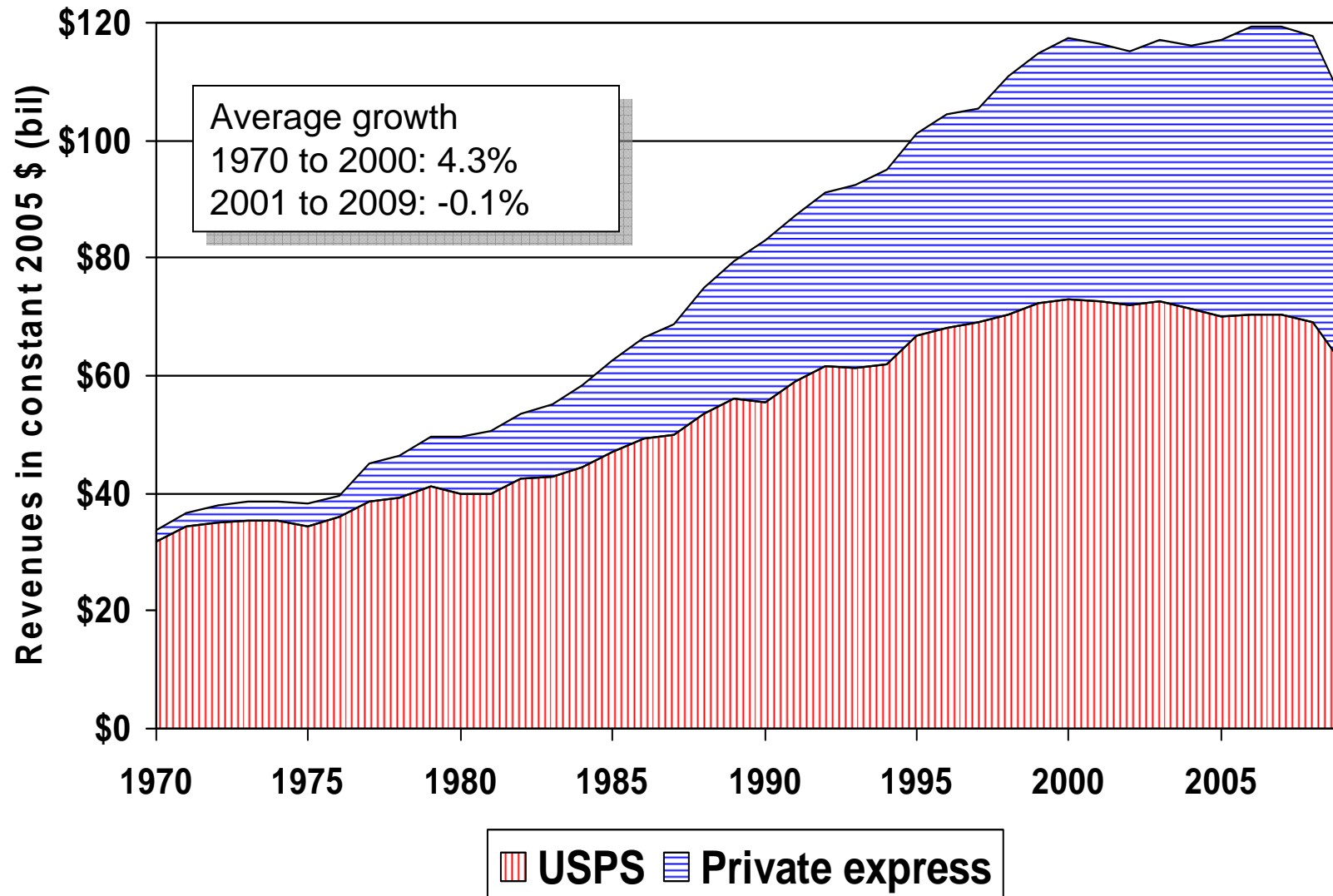


Rates for U.S. interstate/international telephone 1955-2005

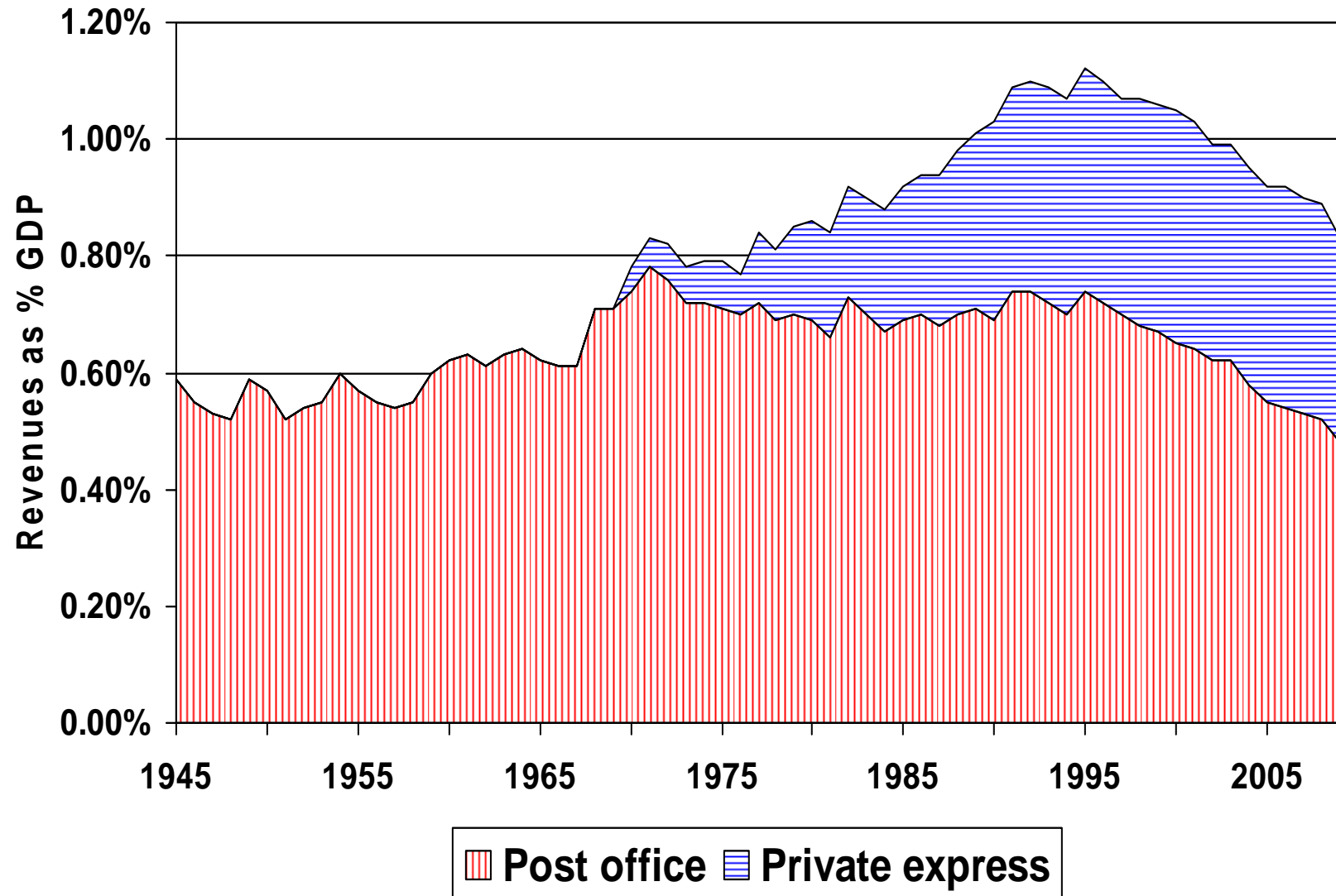
Innovations in Delivery Services, 1970s to 1990s

- Improved national parcel service (UPS)
 - Every address in 48 states, 1975
- National air express (FedEx)
 - National air cargo hub; tracking, tracing, and sortation techniques
- International courier (DHL)
 - Global delivery service; tracking and tracing techniques
- Synergistic commercial developments
 - Regional and international services
 - Just in time production
 - Direct marketing
- Government regulatory barriers
 - Road, aviation, postal, customs

1970-2009: US Delivery Services



U.S. Delivery Services as Percent of GDP



Implications for the Postal Service in the Digital Age

- Postal Service is built on letters
 - Loss of letters threatens the survival of Postal Service
- A government-directed post office is not well positioned to take advantage of technological advances
 - New technologies have diverse consequences which cannot be anticipated by government
 - Government decision making is inevitably slower than competitive market forces
- Policy choices
 - Wind up the Postal Service in an orderly manner
 - Extend the monopoly/privileges of the Postal Service into related fields
 - Privatize and give the Postal Service a chance to adapt