

China - U.S. Symposium on Postal Reform
and the Express Delivery Services
17-18 September 2007, Beijing

Development of the U.S. Postal System and Express Delivery Services

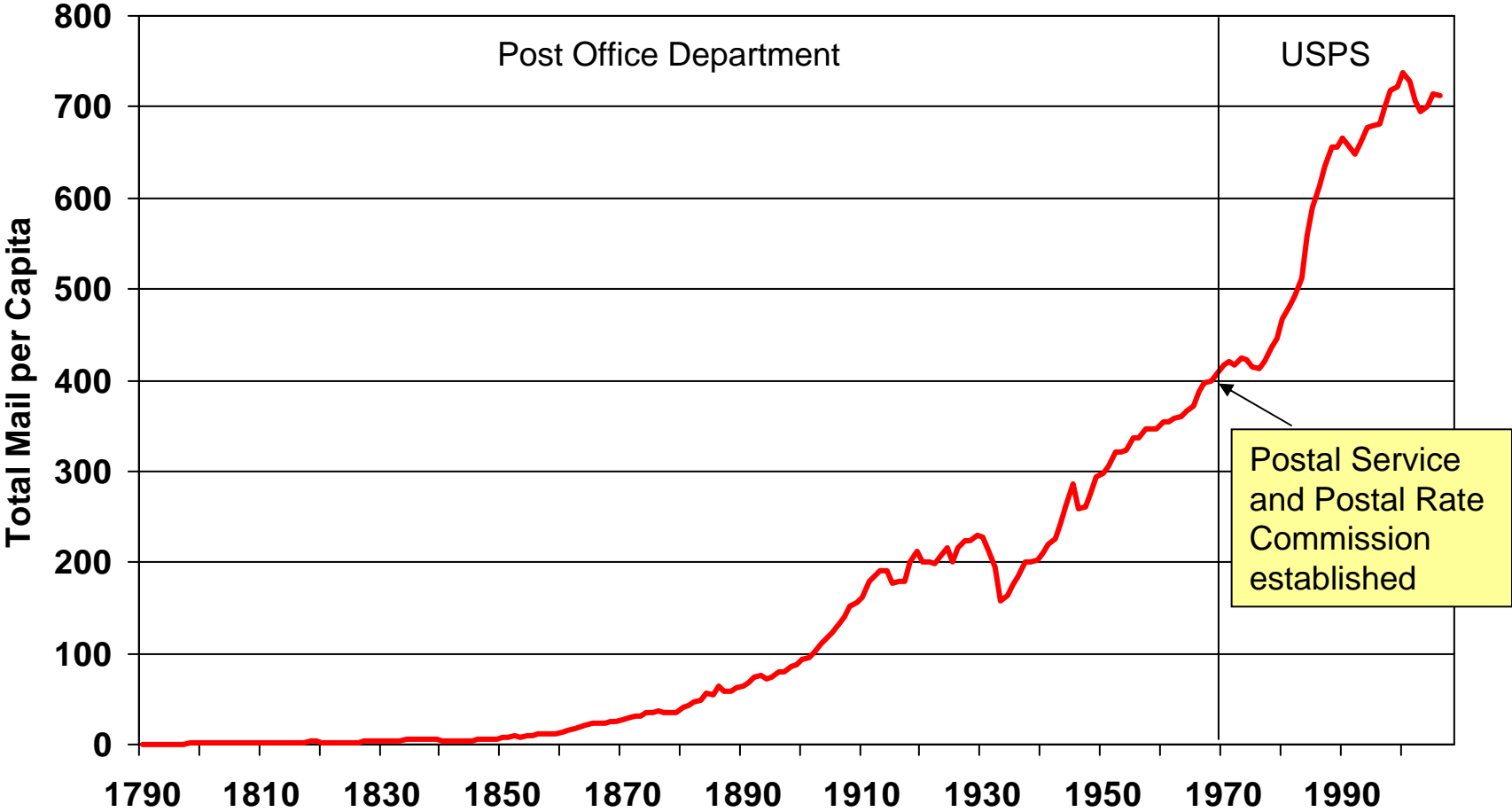
James I. Campbell Jr.

Topics

1. Organization of U.S. postal system
2. Development of universal service
3. Postal monopoly
4. Financing national postal service
5. Rise of modern express services
6. Final comments

1. Organization of U.S. postal system

Development of U.S. postal system

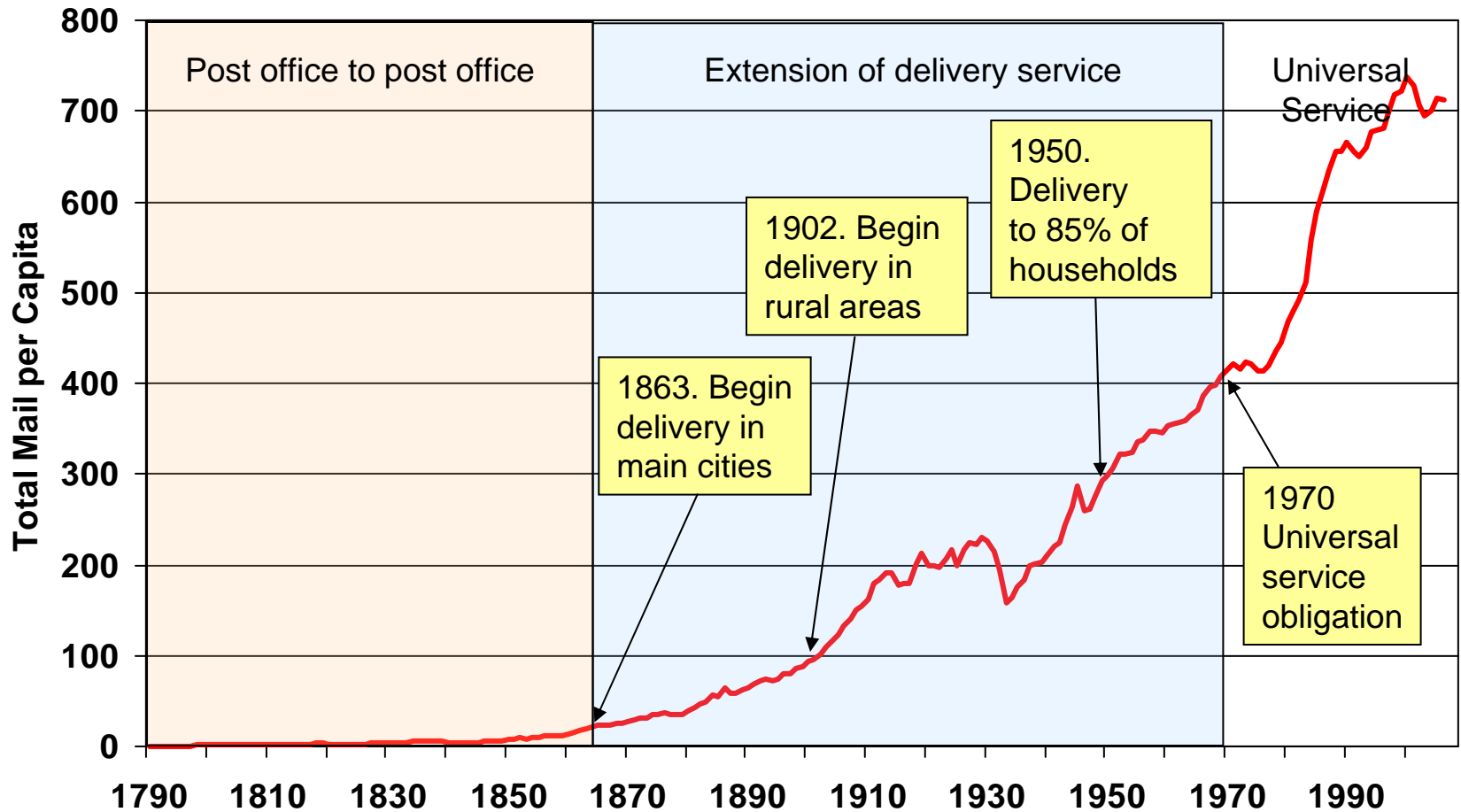


Current organization

- U.S. Postal Service (1970)
 - Independent government agency
 - Board of Governors (9 persons appointed by President for 9 years)
 - Postmaster General appointed by Governors
- Postal Regulatory Commission (1970, 2006)
 - Independent government agency
 - 5 members appointed by President
 - Prevents overcharges of monopoly services and subsidy of competitive services

2. Development of universal service

Universal service developed slowly



Services tailored to means and needs



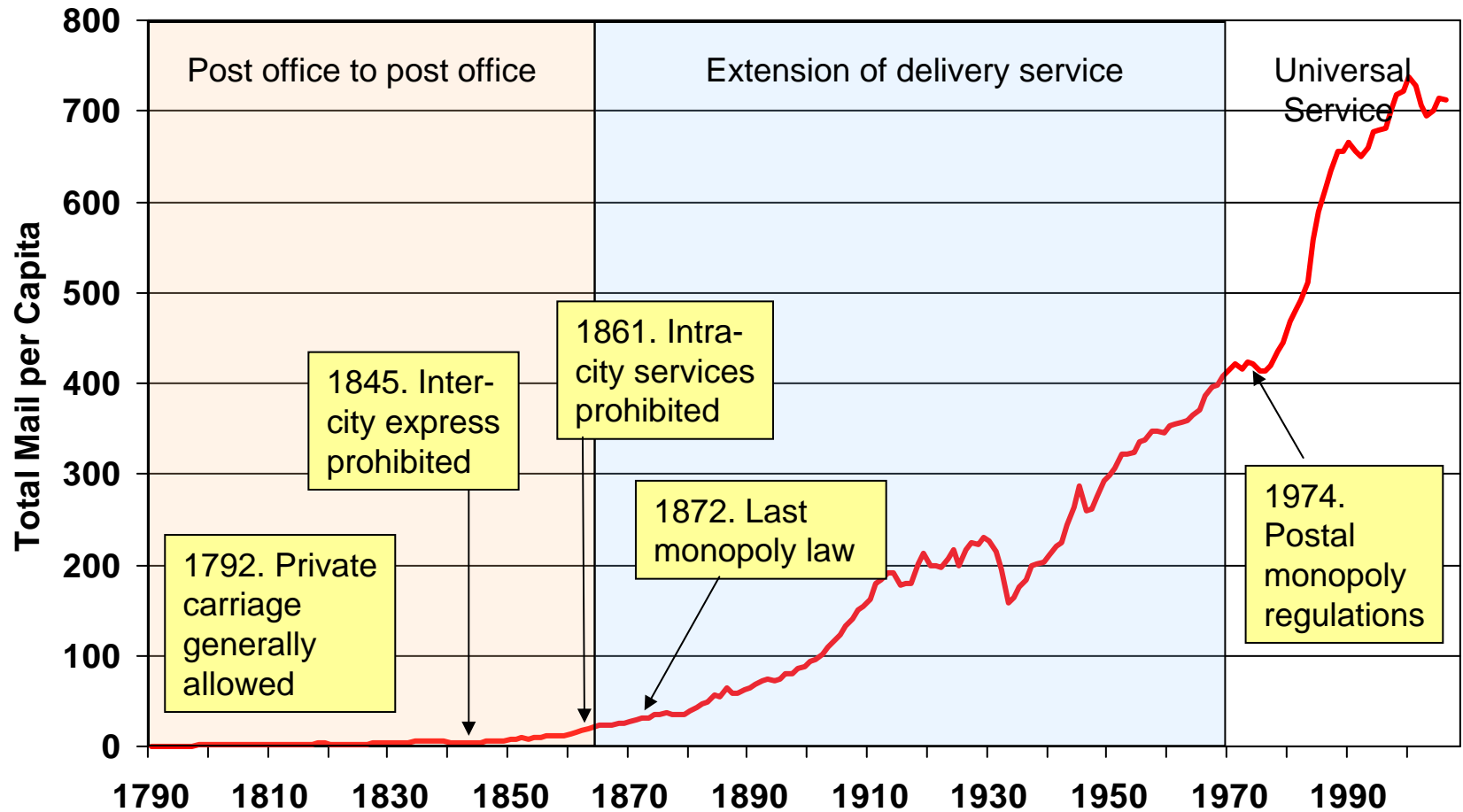
- Road side mail boxes save costs
- Contractors deliver mail in most rural routes
- 3-day per week was common in rural areas until mid-20th century

Universal service obligation is general

- USO adopted formally in 1970 (400 items/cap)
- USO expressed in general terms only
 - “Basic and fundamental service. . . to bind the Nation together”
 - “Adequate and efficient postal services at fair and reasonable rates [serving] as nearly as practicable the entire population . . . consistent with reasonable economies”
- Postal Reform Law of 2006
 - 2-year study of future of USO

3. Postal monopoly

U.S. postal monopoly dates from mid 1800s

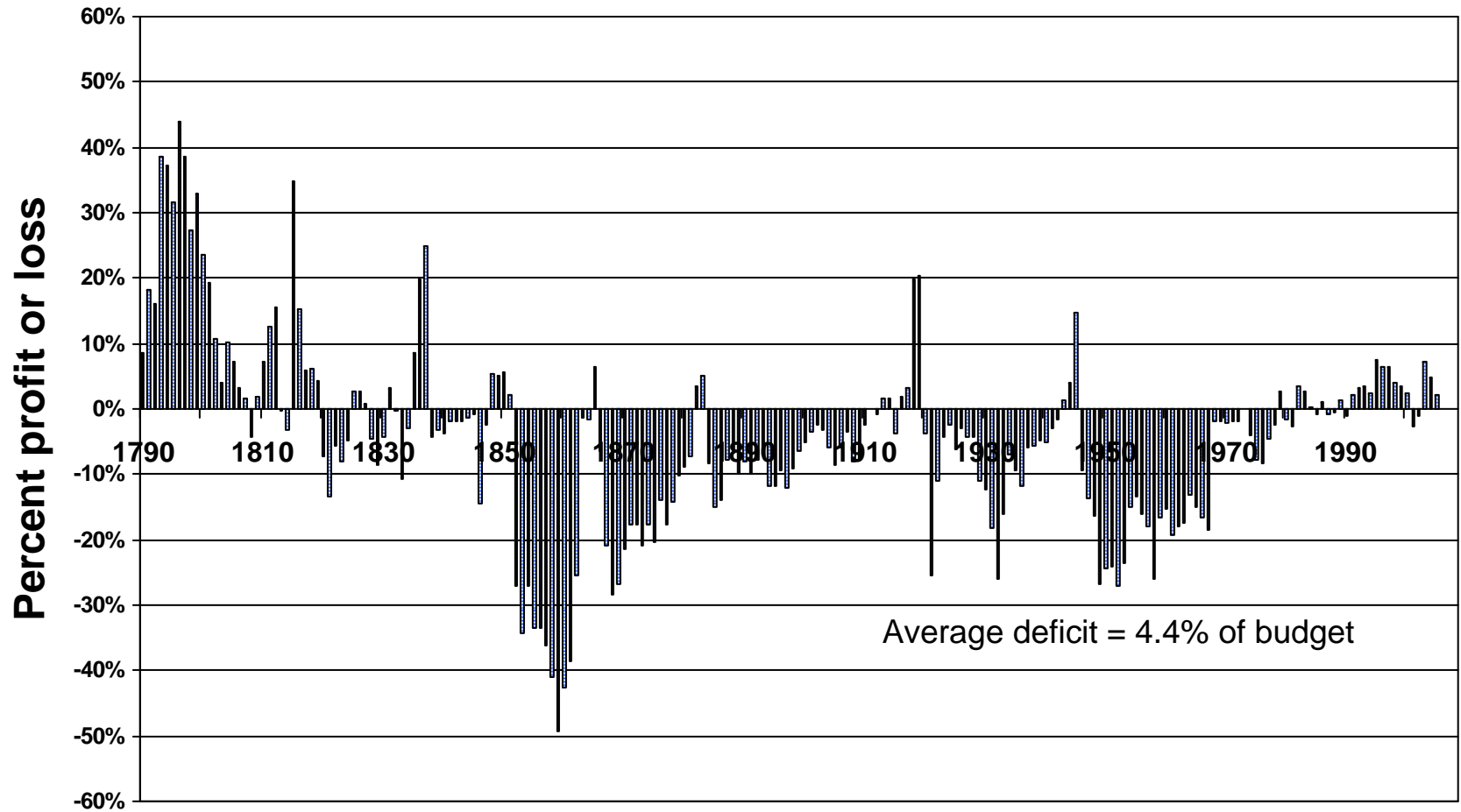


Monopoly law is uncertain and out-of-date

- Current monopoly law was adopted in 1872
 - Last debated in Congress in 1845
- Few legal cases
 - Unclear legal basis of Postal Service regulations
 - Prosecutors reluctant to bring cases
 - No case against major express company
- Postal Reform Law of 2006
 - Price and weight limits; USPS regulations rejected
 - Express and parcel services exempt from monopoly
 - 2-year study on future of monopoly

4. Financing national postal service

Financing postal service

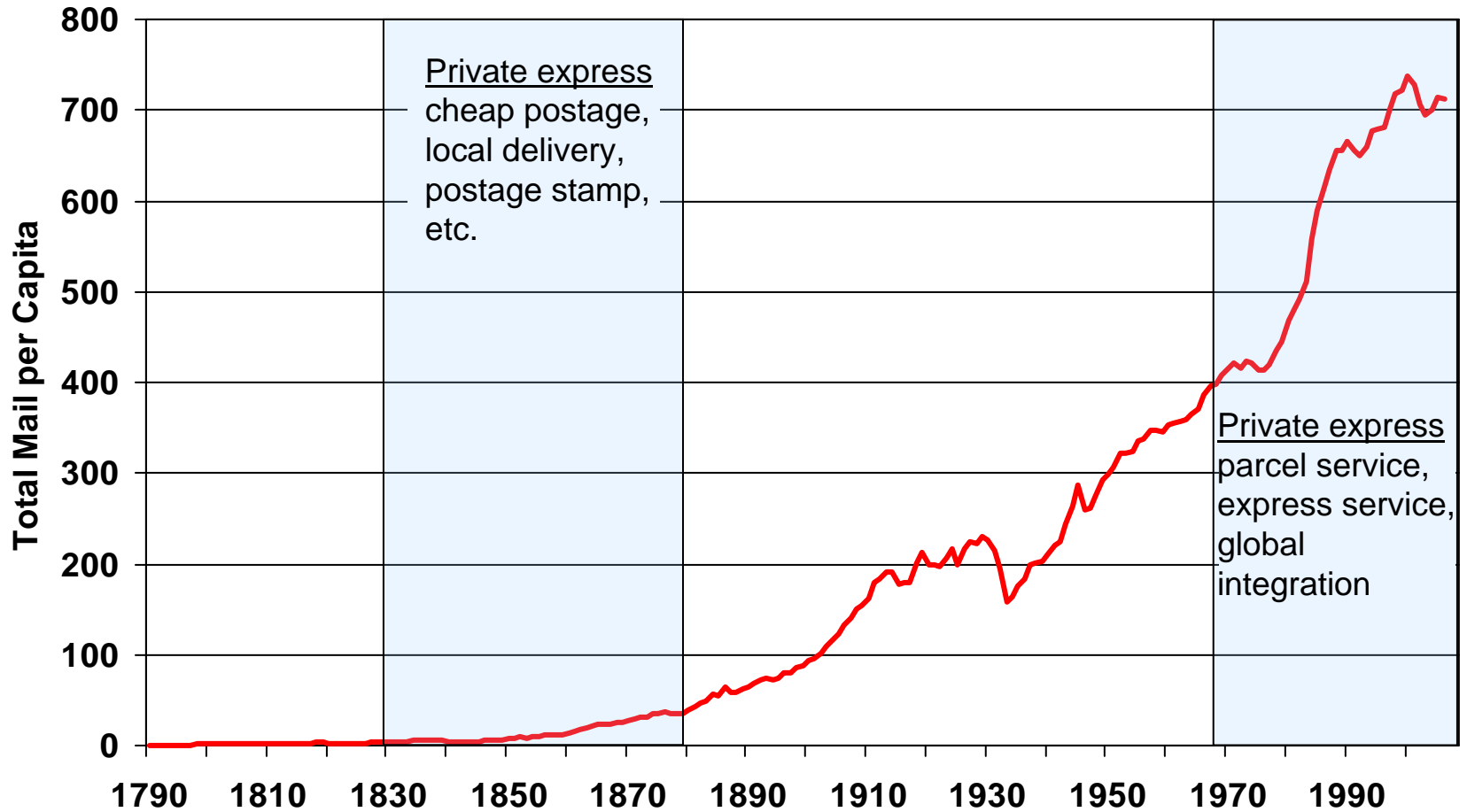


Financing U.S. postal system

- US postal service funded primarily by small subsidy from tax revenues
- Congress has never linked the scope of the monopoly to scope of universal service
 - Revenue value of monopoly today is unclear
- No “universal service fund” in postal sector

5. Rise of modern express services

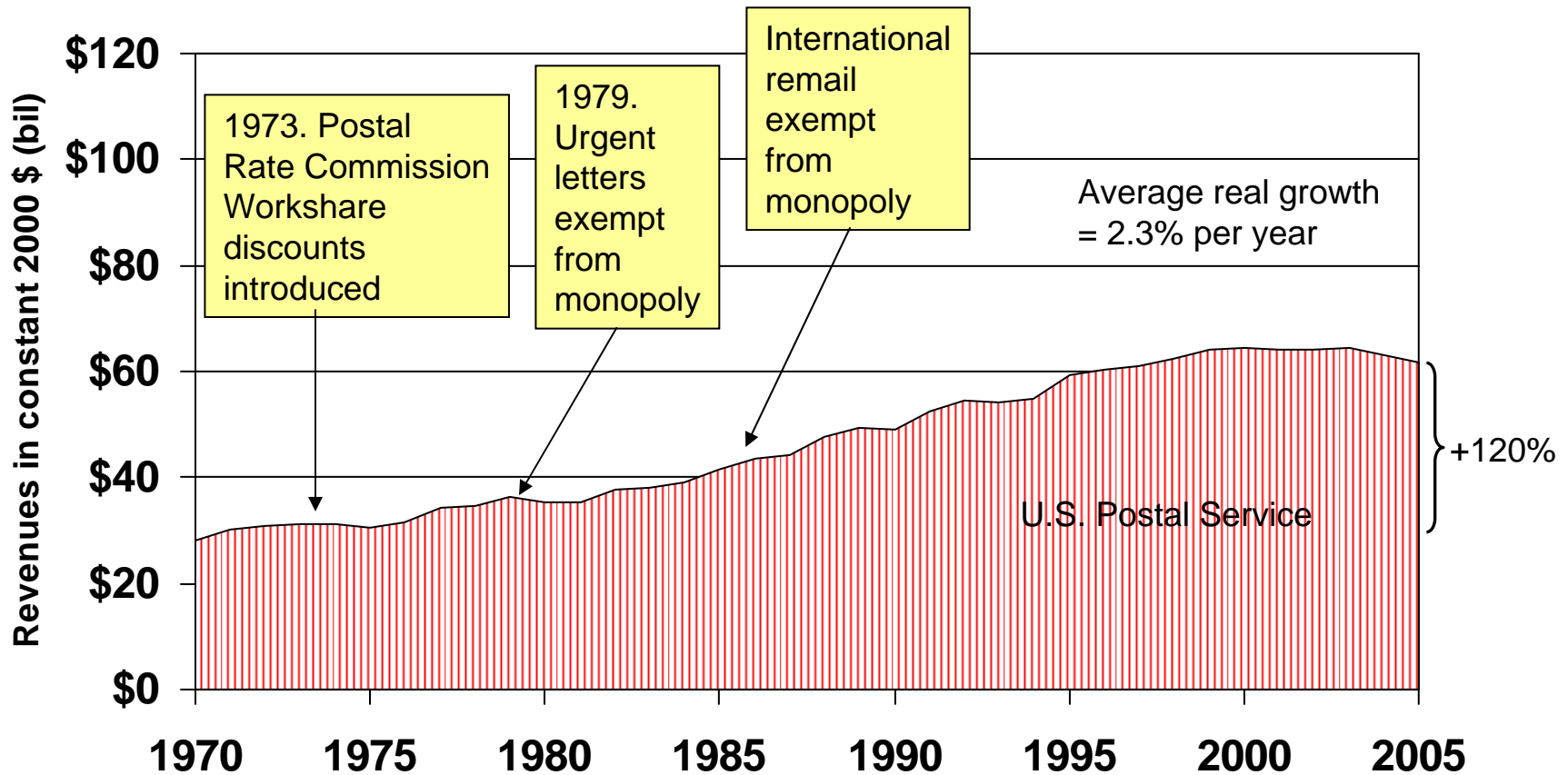
Private express periods



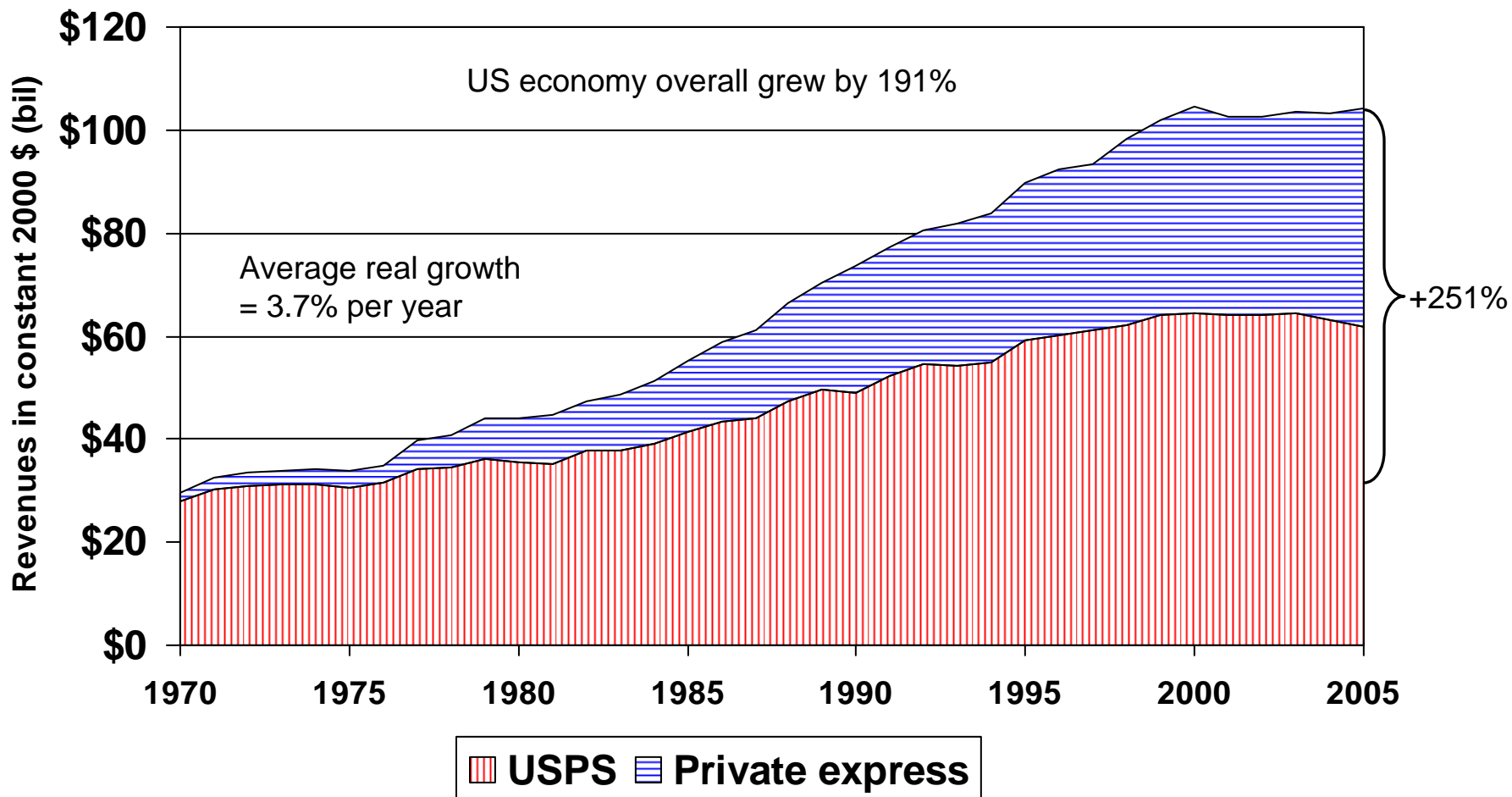
USPS opposed express companies

- 1975-1979. Postal Service tried to use monopoly against private express
 - 1979. Congress required USPS to exempt urgent letters from postal monopoly
- 1985-1986. Postal Service opposed international remail
 - 1986. Congress and Administration required USPS to exempt international remail from postal monopoly

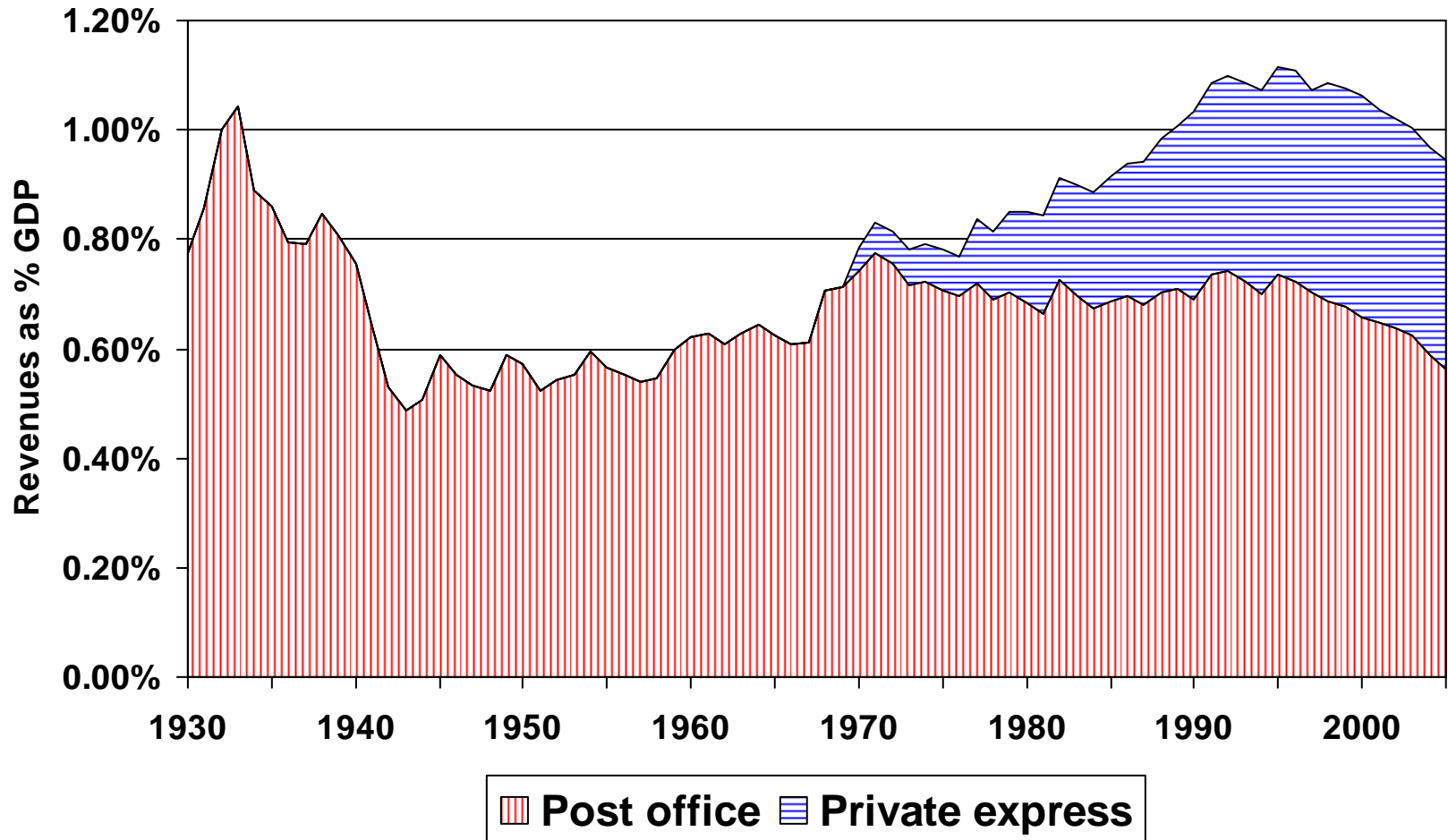
1970-2005: USPS grew 120% (real)



1970-2005: US delivery services grew 251%



Additional value created by private express



Effect of private express

- Added substantial new delivery service markets to U.S. economy
- May have helped to stimulate USPS growth after 1970

6. Final comments

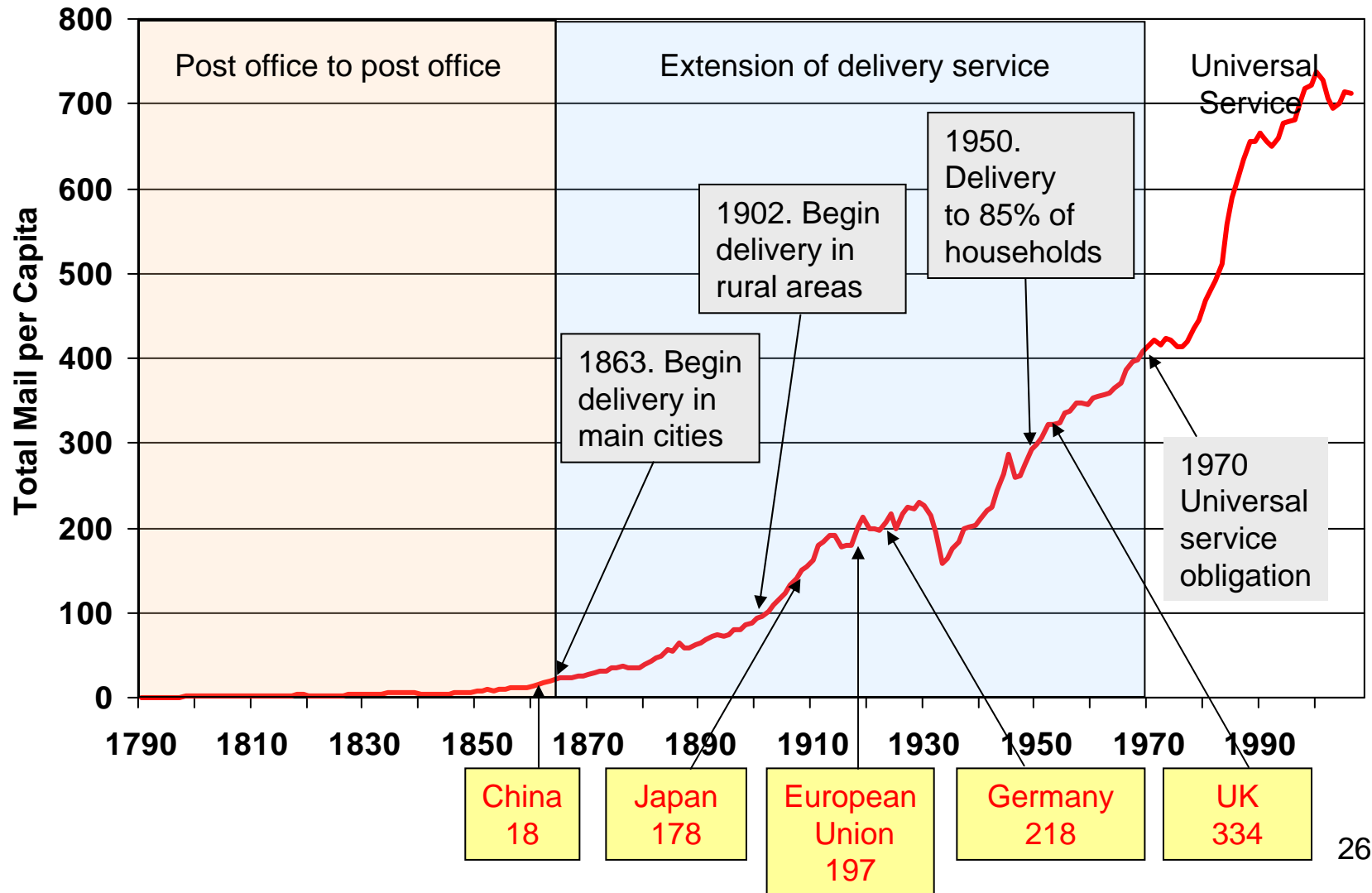
What the U.S. has done well

- Postal service well-suited to U.S. needs
 - Extremely reliable and inexpensive service rather than too high quality and too expensive
- Postal regulation (since 1970)
 - Sophisticated postal accounting controls
 - Prevents anticompetitive and unfair pricing
- Express services
 - Allowed to develop into an important element of national infrastructure even though potential was unforeseen in 1970

. . . But Considering Specific Circumstances

- Large volume of U.S. mail is due to unique historical and cultural circumstances
- U.S. postal system is built on letter communications but future of letters is uncertain
- Tradition of objective, independent regulation

. . . And Effects of Postal Volumes



What if the U.S. were starting over?

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

– Presidential Commission, 1968

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