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USPS Will Pursue Bid for Above-Inflation Postal Rate Increase

(11/8/11) The US Postal Service told regulators today that it will pursue its request to make an above-inflation or "exigent" increase in postal rates.

The move came after USPS was told to declare its intention quickly by the Postal Regulatory Commission as they refused a delay in the process on the grounds that it would prolong uncertainty for mailers.

USPS wanted to delay the process of seeking an "exigent" postal rate rise – a price increase above its usual inflation-linked price cap – to allow time for Congress to sort out comprehensive postal reform legislation.

The process continues last year's attempt to secure a 5.6% increase in prices for Postal Service products in order to avoid a financial crisis in the wake of the 2008-09 global recession.

The case has been through the US courts after the regulators rejected the request last autumn, on the grounds that it wasn't only the recession that had caused the USPS financial problems.

Today, USPS attorneys said in the filing it will pursue its case, but in order to do so, needs to carry out extra analysis to work out what portion of its mail volume losses can be attributed to the global recession.

The Postal Service said the rates proposed in the original exigent case were now "unworkable", since 16 months had passed since the proposals were made, but suggested that it could accept the Commission's estimate that the recession had cost it \$2.3bn in terms of the extra funds to be recovered from higher postal rates.

"If the plan outlined above is acceptable to the Commission, the Postal Service will proceed with filing its witness statements and any further legal analysis by November 21st," said the USPS filing. Commenting on its case, the Postal Service said continuing uncertainty that Congress will pass a rescue package meant that it had "little choice but to proceed with the case for now".

"If legislation passes that promotes the Postal Service's financial stability, the Postal Service will review its position any may choose to withdraw the case if warranted," it said.

Sustainability

The US Postal Service is currently looking for ways to restore financial sustainability having made a \$10bn loss in the 12 months up to September, a figure expected to be confirmed later this week. Aside from the exigent request process, USPS said last month it wanted to raise postal rates by 2.1% this January, a rate allowed by its price cap. New shipping prices – for the Postal Service's competitive products – are expected to be announced later this month, to take affect January 22, 2012.

Major customer groups in the United States warned the Commission that even the non-exigent increase in postal rates at the moment would “undercut the efficiency and longterm sustainability of the postal system”.

A joint statement from the Direct Marketing Association, Mailing and Fulfillment Service Association, Major Mailers Association, National Association of Presort Mailers, National Postal Policy Council and Parcel Shippers Association suggested today that USPS was still pricing its postal services based on an infrastructure it has accepted has excess capacity at the moment.

The industry groups warned against reducing USPS workshare discounts merely to bring some of the work currently done by private sector presorting partners back in-house, in order to make use of excess USPS capacity.

“Inefficient prices designed to make work for the Postal Service will result in too large a network, higher costs to mailers, and accelerated volume declines. They will exacerbate the financial crisis facing the Postal Service mailing industry,” said the groups’ filing. (*Source: Post & Parcel/USPS*)