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Incentives Included in Price Filing

About 90 Percent of Proposed Price Changes Under 6 Percent

WASHINGTON — Volume discounts and free additional weight are included in the proposed price changes the U.S. Postal Service filed with the Postal Regulatory Commission (PRC) today.

Price changes for the majority of products and services fall between 4 percent and 6 percent. These products and services account for about 90 percent of Market Dominant revenue. The Postal Service Governors approved the recommendation for prices for all 18 Market Dominant products.

Products outside the range include Periodicals (8 percent), Standard Mail Parcels (23 percent) and Media/Library Mail (7 percent). The increases above the average are intended to improve the financial performance of products that currently do not cover costs while limiting the impact on customers.

The filing includes two incentives designed to retain and grow profitable mail volume: “Reply Rides Free” and “Saturation Mail/High Density Incentive Program.”

Reply Rides Free encourages the use of bill and statement mailings for marketing messages. For qualifying customers, a 1.2-ounce piece is charged the 1-ounce price if a reply envelope or card is included in the mailing.

The Saturation Mail/High Density Incentive Program provides rebates for volume growth for Standard Mail and Nonprofit Mail letters and flats. A minimum of six Saturation/High Density mailings in a Fiscal Year is required.

If approved as proposed, the new prices would take effect on Jan. 2, 2011 – almost two years since the Postal Service last raised rates.

The proposed price changes would generate $2.3 billion for the last three quarters of the 2011 Fiscal Year (January to September) and an estimated $3 billion for the full 12 months of Fiscal Year 2012.

Despite eliminating millions of work hours and reducing expenses by more than $1 billion every year since 2001, a budget gap remains. The proposed price increases will help close a $7 billion projected shortfall in FY 2011. The Postal Service would have needed to raise rates an average of 20 percent across all product lines to completely close that expected gap.

“This proposal is moderate and reasonable and carefully evaluated for its effect on our customers,” said Maura Robinson, vice president, Pricing. “Increasing prices will help overcome some of the financial challenges faced by the Postal Service. We will continue to work with Congress and other stakeholders to implement long-term solutions.”

Postmaster General John E. Potter identified in March a number of actions the Postal Service will pursue, including a change to delivery frequency, expanded access to products and services more convenient to customers and restructuring prepayment of retiree health benefits. Potter was clear at the time that customers would not be asked to close the entire budget gap.

Innovations like Reply Rides Free and Saturation Mail incentive programs reinforce the value of mail, help retain volume and provide opportunities to grow the business. These products also have proven to cover their costs and contribute much needed revenue to the Postal Service. Still, greater product and pricing flexibility is needed if the Postal Service is to remain a vital driver of the American economy.

“Future price increases can be greatly alleviated if the Postal Service is given the tools necessary to be a more flexible, market-oriented company," Robinson said.

Other highlights from the price filing include:

- First-Class Mail stamps would increase to 46 cents. A new Forever Stamp image will be available in October.
- First-Class Mail postcard prices would increase 2 cents to 30 cents.
- Periodicals would receive an 8 percent increase.
- Recommended increase for catalogs is 5.1 percent.
- Standard Mail parcels would increase about 23 percent.

This is the first time the Postal Service is requesting price increases above the rate of inflation, an action that is allowed under the 2006 Postal law as long as the Postal Service can demonstrate "exceptional or extraordinary circumstance."

An ongoing recession that has rocked the Postal Service business customer base, continued movement toward electronic alternatives and unprecedented volume loss have created a situation where the price cap of 0.6 percent, based on the Consumer Price Index, is insufficient to cover the extraordinary losses.

The PRC has 90 days to review and make a final ruling on the filing (on or about Oct. 4). The PRC can accept or reject all price requests.

The Postal Service receives no tax dollars for operating expenses, and relies on the sale of postage, products and services to fund its operations.

More detailed information on the price filing is available at usps.com.

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