Leaders in Mailing Organizations Call for Balanced Approach to Postal Rates

Call on Commission to Retain the Regulated, Inflation-Capped Pricing Structure

(Washington, DC)-- On Monday, March 20, three mailer organizations representing all segments of the mailing community and all classes of mail urged the Postal Regulatory Commission to retain the inflation-capped pricing structure that has protected captive users of the Postal Service's monopoly services for the past decade. That system has provided, and continues to provide the Postal Service with sufficient revenue to maintain operations. The Postal Service has raised postage prices with inflation nearly every year; in addition, for more than two years after the great recession, the pricing system allowed the Postal Service an exigent surcharge to speed its economic recovery.

The Alliance of Nonprofit Mailers (ANM), MPA -- the Association of Magazine Media (MPA), and The Association for Postal Commerce (PostCom) together submitted comprehensive comments showing how the current pricing regime has simultaneously given the Postal Service adequate revenues while protecting mailers who have no alternative to USPS for delivery of their valued mail to the nation's homes and mailboxes. The comments demonstrate clearly that the financial outlook for USPS is far healthier than it portrays. The three organizations also outlined untapped management opportunities to improve Postal Service finances without abandoning the price cap and threatening mail volumes.

"The Postal Service wants to raise rates faster than inflation because it says its finances are upside down. But our expert analysis shows that USPS is actually in good shape and in fact has made an operating profit for each of its last three fiscal years," said Stephen Kearney, a previous Treasurer of the Postal Service and current ANM President. "It has pre-funded its major liabilities--pensions and healthcare for retirees--much more than federal and state governments and most of the private sector. At the same time, it reports the value of its major real estate assets at well below their fair market value. When you combine a really strong balance sheet with operational profits and double-digit package growth, there is no need for excessive postage increases that harm customers. Our nonprofit mailers would be forced to reduce their reliance on mail. That would harm their vital missions."

The joint comments show that the Postal Service does not face a financial crisis, despite its current doom and gloom narrative. The Postal Service's finances are stable. It has approximately $8 billion of cash on hand, and generated approximately $3 billion of cash from operations each year from FY 2014 to FY 2016 to fund investments. The decline in market dominant mail volume has largely ended, and the contribution from competitive products has been growing rapidly.

Linda Thomas Brooks, President and CEO of MPA, representing close to 1000 of the country's best-loved and most eagerly-awaited magazines, added: "The Postal Service is talking out of both sides of its mouth. On the one hand, USPS assiduously guards the mail and mailbox monopolies that federal law guarantees, protecting it from the competitive market forces that private industry has had to withstand since 2008. But at the same time, USPS seeks unfettered pricing freedom, with only minimal regulatory oversight. The message of 'Trust us, we won't raise your rates too much' just doesn't work for a monopoly enterprise. The fact is that for magazines, postage as a percentage of operating costs has increased greatly over the past decade, even as new technology and smart business innovation have brought down costs in every single other area of magazine production and delivery."

The mailer comments detail many missed opportunities for the Postal Service to save more costs and be more efficient, and find additional sources of revenue without punitive above-inflation rate increases. These include: rethinking operational decisions; reinvigorating stalled cost reduction efforts; and reducing enormous pay premiums for postal employees, whose wage rates are about twice comparable private sector compensation.

"The Postal Service can do much to improve its finances without gutting the CPI price cap to allow above-inflation rate increases. Yet while the Postal Service has been touting a three-pronged approach that includes 'aggressive management action,' the customers are the only ones being asked to ante up," stated Michael Plunkett, President of PostCom, a broad-based association of mail owners, service providers, and logistics companies that use every class of mail, who is also an experienced member of past USPS leadership. "USPS showed impressive productivity gains following the recession when it had to live within CPI. Once the CPI was supplemented by the exigency surcharge, productivity increases suddenly stopped."

The Commission's overarching inquiry in the "ten-year review" of the 2006 Postal Accountability and Enhancement Act is whether the current pricing system is meeting the objectives of the law. The filing by ANM, MPA and PostCom shows that the current regulatory system strikes the right balance among the Postal Service's revenue needs, the mailers' need for protection from abuse of the Postal Service's monopoly power, and the statutory objective to maximize incentives to reduce costs and increase efficiency.

The mailer organizations explain that USPS is not facing a do-or-die situation, nor is this the Commission's only chance to adjust the pricing system. Going forward, the law allows the PRC to make changes at any time.

"Our comments confirm the Postal Service's current financial stability and point to many avenues for further improvement in USPS finances without destroying the crucial statutory protection the CPI cap provides. We trust the Commission will agree when it issues its determination later this year," said Thomas Brooks.