



August 12, 2010

Ms. Shoshana Grove  
Commission Secretary  
Postal Regulatory Commission  
901 New York Avenue, N.W., Suite 200  
Washington, D.C. 20268-0001

Re: Docket No. R2010-4, Rate Adjustment Request Due to Extraordinary or  
Exceptional Circumstances

Dear Ms. Grove:

The purpose of this letter is to offer our comments on the above-mentioned request that is now before the Postal Regulatory Commission. The Envelope Manufacturers Association rarely comments on rate or regulatory matters, however, we in this case, that we should provide our point of view.

#### Background

The Envelope Manufacturers Association was established in 1933 from two associations that were established in 1909. Since 1915, we have worked closely with the United States Postal Service. We believe that for the most part, what has been good for the United States Postal Service was also good for our industry. EMA and its sister organization, Global Envelope Alliance (GEA), have envelope companies in 38 nations and we count 11 posts in our current global membership. We regularly provide global postal assessments and a number of Commissioners have spoken at our conferences worldwide. We have great respect for the work of the Postal Regulatory Commission and know that the decision you now have before you represents more than a normal rate increase; it represents an important precedent for the future.

We were very engaged in much of the work that went into the Postal Accountability and Enforcement Act of 2006. Starting in 2002, we provided a host of studies to Congress and the Postal Service on various aspects of the need to reform the Postal Service. While we chose not to engage ourselves in rate and regulatory reform as we strongly supported the work of the mailing industry that pushed for price cap regulation, the same caps we must live under today.

#### Basis of Our Concerns

When Congress, with input from many of us, created a rate-ceiling mechanism that would allow prices for non-competitive products to be adjusted upward within the strict limit of the Consumer Price Index (CPI), we believed this to be a critical aspect of establishing a rate-making system that was more predictable and regular. Our understanding of the inflation-based cap was not only to restrict the United States Postal Service to these increases to provide a valuable incentive for it to improve its

business model and its effectiveness, but also to give it an opportunity to generate and bank gains for future periods as well to avoid extraordinary cost increases. The Postal Service, as we understand it, has the authority under the law to raise rates every year, not to exceed the CPI cap. It chose not to do so in 2010 but it had the authority to do so and made a management decision not to do so for the same reasons we argue against this rate case today. The economy has not recovered and increasing rates at this time will have a detrimental impact on the entire postal value chain.

Besides the impact on our business activities, we think there is an important precedent here that should not be violated. That precedent is that the Postal Service must operate under the parameters that were set up in PAEA for an important reason; to incentivize the USPS to operate in a businesslike manner. If we want to have our Postal Service here in the future, it must operate its business under these parameters. We cannot return to the previous system of ratemaking.

We know that electronic diversion has been occurring for quite some time. If you go back to 2001 in the First-Class mail data, you can see the impact of this diversion, even when the economy was doing well following the recession of 2001 and 2002. We all know that economies are cyclical and while this recession was deeper than normal recessions, we adjusted our operations accordingly. We cut staff, we cut purchases and we cut benefits.

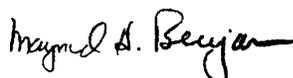
If we allow the United States Postal Service to breach the intent that was put in place in 2006, we believe we do long-term harm to ever operating the Postal Service as a business. We believe that a recession is not an exceptional circumstance under the law as we understand it, and we should not set a precedent for future generations to have to deal with by breaching an important protection for postal customers that was designed to ensure the Postal Service would be here in the future.

### Summary

The Envelope Manufacturers Association opposes the Postal Service Request for a price increase based on the exigency provisions of the law. To allow this increase might offer short-term benefit, however, would do long-term harm to the need to reshape the Postal Service into a more modern, effectively functioning enterprise. We all are well aware that there are other avenues to lower Postal Service costs, primarily the overfunding of benefits, which need to be pursued before cutting services and increasing rates.

We sincerely hope you will uphold the important protections that PAEA has created and continue to do the diligent work you do to help create a postal system that will serve future generations.

Sincerely yours,

A handwritten signature in black ink that reads "Maynard H. Benjamin". The signature is written in a cursive, flowing style.

Maynard H. Benjamin, CAE  
President & CEO