Postal Regulatory Commission
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Comments to PRC - Postal Increase

The Affordable Mail Alliance that comprises the DMA and their non-profit members asked the PRC to disallow the requested postal rate increase.

They spoke about the "exigent" circumstances of the recession and the electronic substitution of first class mail (email).

However, it's not the consumers who will suffer if the rates are increased. It's the major mailers in the country that utilize the multiple products and services of the USPS. (various classes of mail and parcel delivery).

Since laws are made to be changed or even broken, the ruling of the PAEA of 2006 should not necessarily be enforced. Indeed, inflation could be truly exorbitant as to be considered "exigent". The shift to the internet or the recession in not something that may have been averted. Both are happening and are not controllable.

The USPS must do what every other business in America is doing and that's controlling costs. It's that simple. But there's another challenge. There is no guarantee that eliminating the bureaucratic inefficiency will make the postal service self sustaining.

One can look at the UPS and FedEx to prove that private enterprise can return companies to profitability within six months of cost controls.

The USPS has not performed as hoped. They had a 6% increase in costs last year. It's a "catch 22".

But the answer is obvious. There must be a combination of efficiencies of operations that's enforceable through accountable leadership on all levels…combined with a realistic rate increase that does not threaten the marketers or consumers.

In other words, both sides must be effectively challenged to solve this ongoing problem. The "catch 22" occurs when only one side performs. We'll get nowhere. And that's where we've been for many years. Let common sense and performance rule.

While the process outlined in H.R. 5746 would not provide any immediate relief from the existing payment schedule for prefunding retiree health insurance benefits, it would likely have a very positive effect on the postal service's current legal obligation to pay any outstanding balance due for retiree health insurance in 2017. Moreover, it could provide an impetus for re-amortization of the current payment schedule; thus providing some near-term financial relief to the Postal Service and, in turn the business mailer community.

The big direct marketers…the financial industry, large catalogers, fundraisers, publications, etc. are diminishing. As stated previously, they will utilize other advertising mediums. Consequently, the large mailers will have a negative impact on USPS revenue. Not only will the postage be

more expensive for these mailers, but the postal revenue will also decrease as they utilize email and print advertising. Unfortunately, it's impossible to estimate the financial gain or loss for the USPS based on a 5.6% increase in rates.

The recession is not an appropriate time to increase rates. The idea is to increase postal usage not diminish it.

The correct and sensible strategy is to install the five day delivery plan and, at the same time, reduce fuel usage…hours of employment…early retirement provisions and post office closings, etc. This is how the postal service will reduce their massive overhead. An increase of 5.6% is not extraordinary. But combined with poor performance and the loss of customers the results will be devastating to the USPS and the private sector.

The Trade Association comprised of marketers and suppliers all want the Post Office to work and work well. It will take a combination of cost savings, technology, regulations and programs to save billions of dollars.

Just consider the huge overpayment of $50 - $75 billion by the Postal Service to its employee pension plans as determined by the OPM. A correction of this huge overpayment would save the Post Office about $7 billion a year starting this year. Even the 2009 USPS summer sale may have lost money according to the Inspector General.

A very reasonable rate increase will certainly appease the mailers and convince them to maintain their mail volume. Both the public and private sectors working together can make it happen. And that's the whole idea, isn't it?

Respectfully submitted,

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P.S. The USPS says that the internet is reducing the mail volume. If such is true, then obviously their overhead is reduced. If the Post Office cannot control their costs then perhaps an oversight committee must be formed to accomplish this task.

Enclosure

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The Biggest Threat to Direct Mail: The U.S. Postal Service

Jul 26, 2010 2:09 PM, By Craig A. Huey

Direct mail□s greatest danger is not the advent of e-mail, Web sites, paid search or banner ads. In fact, integrating online media into the mix helps ensure direct mail response.

No, direct mail□s greatest danger is the government-protected monopoly status of the USPS. This creates bureaucratic inefficiencies and the ever-increasing price hikes.

[Editor□s note: On Monday, July 26, The Affordable Mail Alliance called on the Postal Regulatory Commission to dismiss the USPS□s rate hike proposal filed on July 6, arguing that the proposed rate hike violates the cost controls Congress put in law in the Postal Accountability and Enhancement Act of 2006 which kept rate hikes tied to the rate of inflation.]

Each time USPS asks for a rate hike, marginal mailers□in other words, small businesses□are forced to find alternative marketing methods and larger mailers have to cut back.

That in turn adds to the death spiral that USPS has been caught in. It also means a grim future for thousands of companies and millions of jobs for marketers, retailers and business owners.

Here□s the problem: Although it is not funded by taxpayer dollars, the USPS is subject to Congressional oversight. Unlike other businesses that constantly adapt to the changing marketplace, USPS is not free to make changes to its business model at will. It must have Congressional approval. And, its monopoly protection has prevented competition that would drive down prices and create incentives for good service and cost containment.

Let□s take a look at the recent history of the USPS and what its regulation means for the future of direct mail.

GAO: Not a Viable Business Model

An April report from the U. S. Government Accountability Office (GAO) declared: □USPS□s business model is not viable due to [its]□s inability to reduce costs sufficiently in response to continuing mail volume and revenue declines.□

That echoed what we□ve already known for decades□or at least since the release of the stern 1988 Cato Institute report, □The Slow Death of the U.S. Postal Service.□ Even then it was clear that mail service is □getting slower, more expensive and less reliable,□ with first class mail moving 15% slower than it did in 1969.

That slow death has hastened over the last three fiscal years, as mail volume declined 36 billion pieces from 2007 to 2009. For the fiscal year 2008□2009, the postal service reported a crushing $3.8 billion net operating loss. The six months that followed ended in a $1.9 billion net loss.

Overall, the USPS is on track to lose another $7 billion this fiscal year.

Some of the mail decline is due to the recession, the advent of online banking and other electronic forms of communication. But that□s only part of the story,

Crushing for Business: Repeated Postage Hikes

Facing dire deficits and drops in mail volume, postage rates climbed an average of across all classes of mail of 5.4% in 2006, 7.6% in 2007, 2.9% in 2008 and most recently 3.8% in May 2009. This has been one blow after another to small businesses and direct marketers. Catalogers saw a 2.3% increase in 2009. But those who ship small parcels were the hardest hit with a whopping 16% rate increase.

You see, 150 billion pieces of mail delivered by USPS in 2009 were from businesses. So instead of treating these mailers like loyal customers, the USPS punishes them with higher prices as though they were at fault for the post office□s debts.

An Outrageously Expensive Workforce

The GAO report also reveals that labor makes up a full 80% of USPS□s cost structure. Nearly 85% of its workforce is covered by collective bargaining agreements. The average postal employee earns an impressive $83,000 a year in total compensation□and many are protected by □no layoff□ agreements. And, that does not take into account health and pension benefits

In addition, the USPS covers a higher proportion of employee healthcare premiums and life insurance than other federal agencies do. But right now, USPS is about $90 billion short on its required retiree health benefit payments.

We Need Further Reform and We Need it Now

The only solution is to free the postal service from government control and allow competition. Because when private carriers compete, everybody wins. Services will improve, costs will go down and the postal service will find a way to survive in a competitive economy or it will suffer the consequences of failure.

Monopolies always do the same thing when the going gets rough: They cut services instead of improving them because there□s no incentive to earn more business.

To start, the Postal Regulatory Commission is conducting a six-month review to examine the impact of cutting mail delivery to five days a week□potentially eliminating Saturday home delivery. Some studies estimate that a five-day schedule could save from $1.9 billion to $3.5 billion a year.

Maybe that solution will work without resulting in an outraged public. But the USPS should turn its attention to where the fat really is. Shockingly enough, there are 36,000 post offices across this country□more locations than Walmart, Starbucks and McDonald□s combined. There is just no need for this many locations, but the USPS doesn□t have the freedom to adjust to the market.

And the government isn□t the only roadblock: Voters and politicians raise a fuss every time individual Post Office closures are proposed. But that doesn□t change the fact that there□s no money to fund these unnecessary locations.

President Obama said it himself: □UPS and FedEx are doing just fine□it□s the post office that□s always having problems.□

It□s time to end the monopoly. Deregulation and privatization will greatly benefit all mail customers and ensure a bright future for direct mail□targeted, accountable advertising that really works.

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