



July 9, 2015

What Proposed Postal Rate Increases Mean to You What's 1.966% between friends?

In one of the more expected moves of 2015, the Postal Service has announced its CPI-based rate "adjustment", scheduled to go into effect on Sunday, April 26 – just in case you have any big mailings planned for that Sunday.

SPOILER ALERT: A couple of pending court cases could impact actual final rates, so these rates are far from final!

The overall increase is 1.966%, which is the maximum increase allowed under the CPI cap put in place in the Postal Reform bill of 2006 (PAEA). Grandma will be relieved to hear that the price of a forever stamp has remained unchanged at 49 cents for a one ounce First-Class stamp. If Grandma has a postage meter in the kitchen so she can save a penny on each piece, she will need to pay an additional half cent per piece – apparently meters are not forever.

Other rates – Standard, Nonprofit, and Presorted First-Class; the "Commercial" rates are generally increasing about 2%, with flats being hit a little bit harder than letters. Some rates are actually inching down a bit, such as nonprofit letters at certain density thresholds. Some examples:

Nonprofit Letters: For a typical moderate volume (10,000 – 100,000 pieces, nationwide) nonprofit letter that may qualify at an AADC or 3-digit level, the rate went from \$.161 to \$.158, while the Mixed AADC rate went up a bit from \$.183 to \$.187. Bottom line – pretty much flat.

Standard Letters: Same scenario as above, AADC and 3-digit goes from \$.279 up to \$.283, while the Mixed AADC goes up from \$.301 to \$.308.

Of course these letter rates don't include destination entry discounts and may vary widely based on mail quantity and density. Comminglers have yet to set their rates, and probably won't until the rates are final and official.

Nonprofit Flats: Piece-rate flats are being hit a bit harder. An ADC qualified flat is going from \$.375 to \$.393, almost a 5% increase. Similar increases can be found in other qualification levels.

Standard Flats: Not as hard-hit as the nonprofit rates on flats, an ADC qualified flat will move from \$.524 to \$.536, a 2.3% increase.

There are added qualification levels for pallets of mail destined to FSS facilities – those facilities that hold that greatest of "USPS white elephants", the Flats Sequencing System, which could knock a penny or two off rates. These rates are generally only applicable to very large or very concentrated mailings of flats.

Again, these are really just rate illustrations – there may be destination entry discounts and a variety of qualification levels in any mailing.

Presorted First-Class Letters: Still include a second ounce for no extra charge. A two ounce automated mixed AADC letter squeaks up from \$.435 to \$.439, less than 1%, although finer sortation levels see an increase of a penny, or about 2.5%. If you're doing metered mail, the rules get a little complicated for the residual if the piece is over an ounce. The whole residual mail issue, in general, is pretty confusing in an age of Full Service.

Periodicals: For a long time now, periodicals have not covered their attributable costs with USPS. Still, USPS is "cognizant of Periodicals' value to the public." Hmmm... Because Periodicals are the Postal Service's "opt-in" product, increases will be in line with the 2% found in other classes of mail, even though attributable costs are not covered.

Parcels: Many USPS parcel products are considered "competitive" products, and as such are not subject to PRC review and approval. One glaring exception is nonprofit rate parcels, generally used in premium fulfillment. Because other parcels were whisked away into the competitive category, poor lil' nonprofit parcels are left in their pool of red ink – they do not come close to covering attributable costs. No big changes at this point, but there is likely to be heat in the future.

A Cloudy Horizon

All in all, this is a pretty typical post-PAEA rate case, at least as far as increases go. The bigger questions surround to legality of the filing in general, and the fate of the exigent "surcharge" enacted in 2014. The USPS Board of Governors lost its quorum at the end of 2014 before they filed this case, but before they did they appointed a special committee to create this rate filing. Is this legal? We'll find out – it's in the courts. Our guess is "yes" – somebody has to do *something* in government. Expect a fairly quick decision.

The end of the exigency surcharge is a more interesting question. The PRC has told the Postal Service to give 45 days' notice before the additional funding generated by the exigent surcharge is received in total, which is expected to be sometime in the late summer, early fall. Theoretically, the USPS would then remove the 4.3% surcharge and reduce rates. The Postal Service is not fond of this theory (they wanted a permanent increase, not a surcharge) and so the whole matter is in – surprise! – federal appeals court. We have a hard time imagining the Postal Service lowering rates across the board, but that is supposedly what will happen. There is a lot of fun yet to come on this matter. Congress may even get involved. Whee! We would suggest not putting any deposits with the caterer on your "No more exigency!" party at this point.

To learn more about ProList on our website visit: <http://www.prolist.com>
To stop receiving this email newsletter contact ProList to [List Unsubscribe](#)

ProList © 2015 All Rights Reserved
ProList Inc.
4510 Buckeystown Pike, Suite M
Frederick, MD 21704

Share this Email:

[Facebook](#) [Twitter](#) [LinkedIn](#)



4510 Buckeystown Pike Suite M | Frederick, MD 21704-7537
1-888-PROLIST | Fax 301-924-2373 | www.Prolist.com

ProList, Inc. is an Industry Innovator in data management and direct mail services solutions.



Quality Service Guaranteed!



Contact Us Today!

Dave Lewis
dlewis@prolist.com
301 924-4545
www.ProList.com

