



Postal Regulatory Commission Finds USPS Postage Increase Is Within the Price Cap but Cautions USPS That Flat-Shaped Standard Mail Postage Increase Should Have Been Higher

On Wednesday the Postal Regulatory Commission found that the Postal Service postage increases for market dominant classes of mail were correctly calculated within the statutory CPI price cap. Thus, those rate increases will be effective on Sunday, April 17, 2011.

The Commission, however, expressed disappointment that USPS had failed to rate postage on Standard Mail flats sufficiently to cover the costs of processing, transporting and delivering that mail. In fact, the Commission found that the new rates would increase the cross-subsidy of flat-shaped mail by Standard Mail letters. "While not unlimited, [the USPS pricing] flexibility is sufficient to allow the Postal Service to address the flats' cost coverage issue within the rate cap. In this proceeding the Postal Service could have designed Standard Mail Flats prices to better align rates with costs and, over time, allow this product to be 'brought to full cost coverage.'" The Commission expects this error to be rectified in future rate adjustment filings.

The Commission also criticized the Postal Service use of "unaccepted" costing methodologies when determining work-share discounts. Again, the Commission did not require any adjustments in this time shortened proceeding, but it expects the Service to refrain from such actions in future filings.

"The Commission should be focusing on market based pricing and not on what should be the abandoned cost of service pricing of the old law. The Postal Service rates for Standard Flats are market driven and those efforts should be applauded," said DMA Senior VP Jerry Cerasale.

The Commission's concern on both the methodology and the Standard Mail cross subsidy may also be addressed in the Commission's Annual Compliance Review or a complaint case.

For further information please contact Jerry Cerasale at jcerasale@the-dma.org.

The Commission decision may be found at:

http://www.prc.gov/Docs/71/71974/Order_No_675.pdf

