

# Direct Insight

Courtesy of Transcontinental Direct

## Express

### POSTAL UPDATE

#### Temporary rate reduction on flats would give mailers time to 'adjust'

The PRC has recommended to the USPS Board of Governors a *temporary*, transitional rate reduction of \$0.03 for all Standard Mail Regular flats and \$0.02 for Standard Mail Nonprofit flats. These rates would expire on or before September 29, 2007. It did not recommend any other rate changes, so we will not see an increase in the letter mail rates as originally proposed by the USPS.

In its decision, the PRC said "These transition rates would provide relief for users of Standard Mail flats, giving them approximately three months of lower rates during which they could adjust their mailing practices and business plans. Other mailers would not be unfairly burdened with a further rate increase. The Commission carefully considered the Governors' suggestion that the rates for letters and flats be rebalanced; however, it finds that such a result is neither justified by the evidentiary record, nor consistent with the policies of the law under which this case must be decided."

PRC Chairman Dan Blair issued the following statement:

The Commission's proposal gives the USPS Governors the ability to make a temporary rate reduction for catalog and flats mailers. We believe this option responds to the concerns expressed by the Governors and all of the many participants who submitted comments. It leaves Standard letter rates untouched, protects the Postal Service's financial standing, allows USPS projected revenue to meet expected costs, and does not reduce the Contingency Fund.

Our recommendation does not involve shifting the financial burden associated with lowering catalog and flats rates to other mailers. If the Governors accept our recommendation, commercial and nonprofit flats mailers could expect to achieve savings of \$0.03 and \$0.02, respectively, and the Postal Service would still break even if the temporary transitional rate relief for Standard Regular flats mailers ends on September 29, 2007, the last Sunday before the test year begins.

This PRC recommendation is now in the hands of the USPS Board of Governors, which has to decide either to accept or implement the decision as returned by the PRC or reject it. It is uncertain how long it will take for the Board to reach a final decision.

Earlier indications were that any rate adjustments might not occur until July 15, the periodical rate implementation date. However if the temporary rate reduction proposed by the PRC is approved by the USPS Board, we may see these rate adjustments sooner.