

INDUSTRY ALERT

Forced Price Reduction to Worsen USPS Financial Condition by \$2 Billion Per Year *Postal Service Exigent Surcharge Pricing to End April 10*

WASHINGTON — Absent Congressional or court action to extend or make permanent an existing exigent surcharge for mailing products and services – including the Forever stamp -- the Postal Service will be required to reduce certain prices on Sunday, April 10, 2016. This mandatory action will worsen the Postal Service's financial condition by reducing revenue and increasing its net losses by approximately \$2 billion per year.

“The exigent surcharge granted to the Postal Service last year only partially alleviated our extreme multi-year revenue declines resulting from the Great Recession, which exceeded \$7 billion in 2009 alone,” said Postmaster General and CEO Megan J. Brennan. “Removing the surcharge and reducing our prices is an irrational outcome considering the Postal Service's precarious financial condition.”

An order from the Postal Regulatory Commission (PRC) requires the 4.3 percent exigent surcharge to be reversed after the Postal Service has collected surcharges totaling \$4.6 billion. As outlined in a notice filed with the PRC today, that amount is expected to be reached by April 10th.

Postal Service prices for Mailing Services are capped by law at the rate of inflation as measured by the Consumer Price Index for all urban consumers (CPI-U). However, the law does allow for exigent pricing (price increases beyond the CPI-U cap) due to extraordinary or exceptional circumstances. That was the case when the Postal Service sought and ultimately received approval for the current exigent pricing, citing the severe effects of the Great Recession on Postal Service mail volume.

However, the PRC did not accept the views of the Postal Service concerning the extent of the harm resulting from the Great Recession, and the PRC strictly limited the period of time that the Postal Service could continue to collect the exigent surcharge. While the Postal Service has experienced rapid growth in package volume over the past few years, it is not nearly enough to offset the decline in revenues from Market-Dominant products, especially First-Class Mail.

Brennan added that the Postal Service's current pricing system, where products that generate roughly 76 percent of its revenues fall under the statutory price cap, is fundamentally unsuited to the Postal Service's current business environment in which First-Class Mail volume continues to decline and the network costs required to provide universal service continue to rise.

According to Brennan, “our current pricing regime is unworkable and should be replaced with a system that provides greater pricing flexibility and better reflects the economic challenges facing the Postal Service.”

The surcharge removal means these First-Class Mail prices will be adjusted to the following:

	Current	Mandated Reduction
• Letters (1 oz.)	49 cents	47 cents
• Letters additional ounces	22 cents	21 cents
• Letters to all international destinations	\$1.20	\$1.15
• Postcards	35 cents	34 cents

Commercial prices will also decrease. A complete listing of the new prices, effective April 10, is available at www.usps.com.

Any questions or comments you would like to share related to the Exigent Surcharge Rollback can be sent to Industryfeedback@usps.gov.

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