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***Wrong on the Law, Wrong on Policy, Wrong on the  
Economy, and Wrong on Jobs:***

## ***Affordable Mail Alliance Calls on Postal Regulatory Commission to Dismiss Postal Service Rate Hike Request***

Washington, DC – The Affordable Mail Alliance (AMA) today called on the Postal Regulatory Commission to dismiss the Postal Service's rate hike proposal filed on July 6, 2010. AMA's motion argues that the rate hike violates the cost controls Congress put in law to protect consumers and that the Postal Service needs to cut costs and modernize rather than raise rates an average of ten times the rate of inflation.

"Allowing the Postal Service to raise prices above the Consumer Price Index in this case would nullify the single most important safeguard for mailers and the public in the Postal Accountability and Enhancement Act of 2006 ("PAEA)," AMA argues in its motion. Senator Susan Collins (R-ME), an author of the 2006 law, has already said the proposed increases do not qualify for an exception under the standards established by Congress.

The Affordable Mail Alliance (AMA) is a coalition of over 700 large and small businesses, nonprofit organizations, and associations of mailers that together account for a majority of the mail sent in the United States. Its members employ over 7.5 million workers and contribute nearly one trillion dollars to the economy each year.

The PAEA limits the average postal rate hike to inflation as measured by the Consumer Price Index (CPI). There is an exception to the CPI cap only for "exigent circumstances" when the Postal Service could not continue operating without overall price increases above the CPI. But this exception is intended only for "extraordinary or exceptional circumstances" that would leave the Postal Service short of funds to

provide necessary services despite "the best practices of honest, efficient and economical management." The AMA argues that the Postal Service has not met that test, pointing out:

- Economic downturns are a part of life. The ups and downs of economic cycles, like changes in the weather, are not "extraordinary" or "exceptional" circumstances.
- The trend toward internet communications away from mail has been taking place over the past fifteen years, giving the USPS years to prepare for the decline in volume. It hasn't.
- While the recession, which began in December 2007, caused sharp declines in volume and revenue, competitors of USPS, such as FedEx and UPS, had comparable or even greater declines. Those and other well-run firms, made the necessary and painful cuts in operating costs and capacity to increase productivity. The USPS did not and its productivity has *fallen*.

**USPS, UPS and FedEx  
Revenue and Expense Declines  
(2009 vs. 2008)**

	<b>Percent Change (2008 – 2009)</b>	
	<b>Revenues</b>	<b>Expenses</b>
USPS	-9%	-3%
UPS	-12%	-9%
Federal Express	-16%	-14%

**USPS, UPS and FedEx  
Quarterly Changes In Revenue and Expenses  
(2008, Q4 vs. 2009, Q1 and Q2)<sup>1</sup>**

	<b>Percent Change (Q4 2008 – Q1 2009)</b>	
	<b>Revenues</b>	<b>Expenses</b>
USPS	-11%	-3%
UPS	-14%	-11%
Federal Express	-15%	-9%

	<b>Percent Change (Q1 2009 – Q2 2009)</b>	
	<b>Revenues</b>	<b>Expenses</b>
USPS	-4%	-1%
UPS	-1%	-1%
Federal Express	-4%	-6%

<sup>1</sup> For USPS and UPS, quarters begin in October for Q4, January for Q1, and April for Q2. For FedEx, quarters begin in September for Q4, December for Q1, and March for Q2.

"The result has been devastating," the motion argues. "In Fiscal Year 2009, when prices in the overall economy actually declined, the Postal Service costs per unit of output increased by more than six percent. Had the Postal Service merely held its costs to the level of inflation in the general economy, the Postal Service would have made a profit in 2009."

The AMA noted that businesses large and small and individuals across America have tightened their belts, cut their spending, and made painful choices due to accommodate challenging times.

"Now the Postal Service expects customers to pay the price for its refusing to do what its customers had to," the AMA said. "For our organizations, the Postal Service's unwillingness to do its part will mean the loss of thousands of additional jobs, further cuts to pay and benefits. This is an issue about investing for possible future growth or paying higher taxes in the form of higher postal rates. At this time of a shaky economic recovery, this is the functional equivalent of a tax increase on every American postal customer, whether individual or business. If this takes effect January 2, 2011, and American businesses and consumers will be spending more on postal services, there will be less money for investment, payrolls, and business growth.

"Punishing customers with higher prices is not the way to make the Postal Service solvent. In fact, without effective cost control, trying to make the Postal Service solvent through financial infusions will be like trying to fill a bucket with a hole in its bottom. The Postal Service will lurch from one financial crisis to the next. The American people will sooner or later have to pay, through higher taxes or higher prices."

For further information, please visit [www.affordablemailalliance.org](http://www.affordablemailalliance.org) or contact Jessica McCreight; [jmccreight@squiermedia.com](mailto:jmccreight@squiermedia.com); 202-464-6900.