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INDIGO DIRECT GROUP APPLAUDS POSTAL REGULATORY COMMISSION RATE DECISION

(Baltimore, MD – September, 2010)

Indigo Direct Group applauded today's decision by the Postal Regulatory Commission to reject the postal rate increase proposed by the U.S. Postal Service, viewing it as a positive development for business and the postal clients they serve.

Note that only the "exigent" price increase was rejected -- a special request by the USPS that carried an average 5.6% rate increase in 2011. This does not eliminate the rate increase the USPS is allowed to make per the bill passed in 2006 (Postal Accountability Act) without any approval. This increase continues to tie it to the Consumer Price Index (CPI) and to any unused "banked" increases from the past.

This article was originally published by Publishing Executive magazine:

The Postal Regulatory Commission announced this morning that it would not approve the U.S. Postal Service's request for an "exigent" price increase.

"We have concluded that we must deny the Postal Service's request," Commission Chairman Ruth Goldway said in a prepared statement. She said the decision "is a consensus, and is unanimous."

Citing a projected deficit of nearly $7 billion over the next fiscal year, the Postal Service in July asked the regulatory commission to approve the special rate increase. Under the law, the USPS must demonstrate "extraordinary or exceptional" circumstances to justify any rate increase not tagged to the Consumer Price Index.

Goldway said the Postal Service's justification for a special rate increase did not meet the intent of the law. "The exigent rate provision is ... carefully crafted," she noted. "Congress made it narrow." She said that all three provisions of the law had not been met and that the "summary cause" of the cash flow crisis was structural rather than due to extrordinary external factors.

Without employee retirement benefit payments mandated by Congress, the Postal Service would not be insolvent, Goldway said. "Adding [those] payments back produces a positive cash balance," she said. The USPS has made significant strides in reducing costs, she added.

In a July press release announcing proposed the rate hike, the Postal Service cited "plummeting mail volume traced to the recession and increased use of the Internet" as reasons for the rate hike proposal. Mailer advocacy group the Affordable Mail Alliance said these factors should not be considered a qualifying circumstance under the standards established by Congress, as they are part of the normal business cycle.

"The Postal Service needs to cut costs and modernize rather than raise rates an average of ten times the rate of inflation," the Alliance said in an August press release. "... The ups and downs of economic cycles, like changes in the weather, are not 'extraordinary' or 'exceptional' circumstances."

The proposal included an 8 percent hike in periodicals rates. The increases would have gone into effect Jan. 2, 2011, and were expected to raise about $2.3 billion over the first nine months.

"The Commissioners recognized that imposing an additional tax on Postal Service customers is not the way to address its financial troubles," the Alliance said in a statement released just after the news conference this morning. "Our members look forward to working with the Postal Service on the long-term restructuring needed to restore the Postal Service to competitiveness."

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