



January 2011 Mailing Services Price Change Proposal

July 6, 2010

Action Plan

“[T]he Postal Service will pursue a moderate exigent price increase in 2011”
Action Plan, 3/2/2010

Products and services



Pricing

Service levels



Public policy considerations



Workforce



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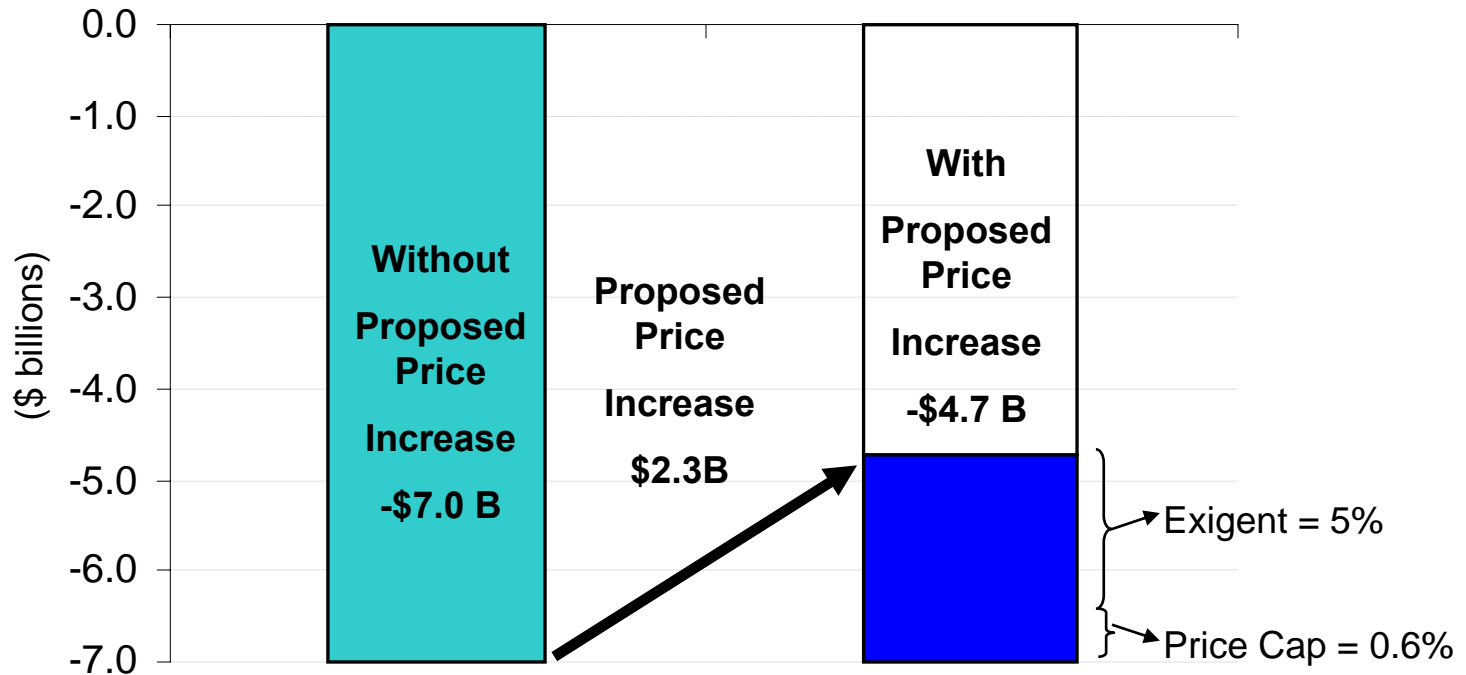
One part of the Action Plan

- **Balanced, tempered approach**
- **Innovations to grow and retain volume**
- **Improve organizational financial situation**
- **Consider effect on customers**

What is an “Exigent” Increase?

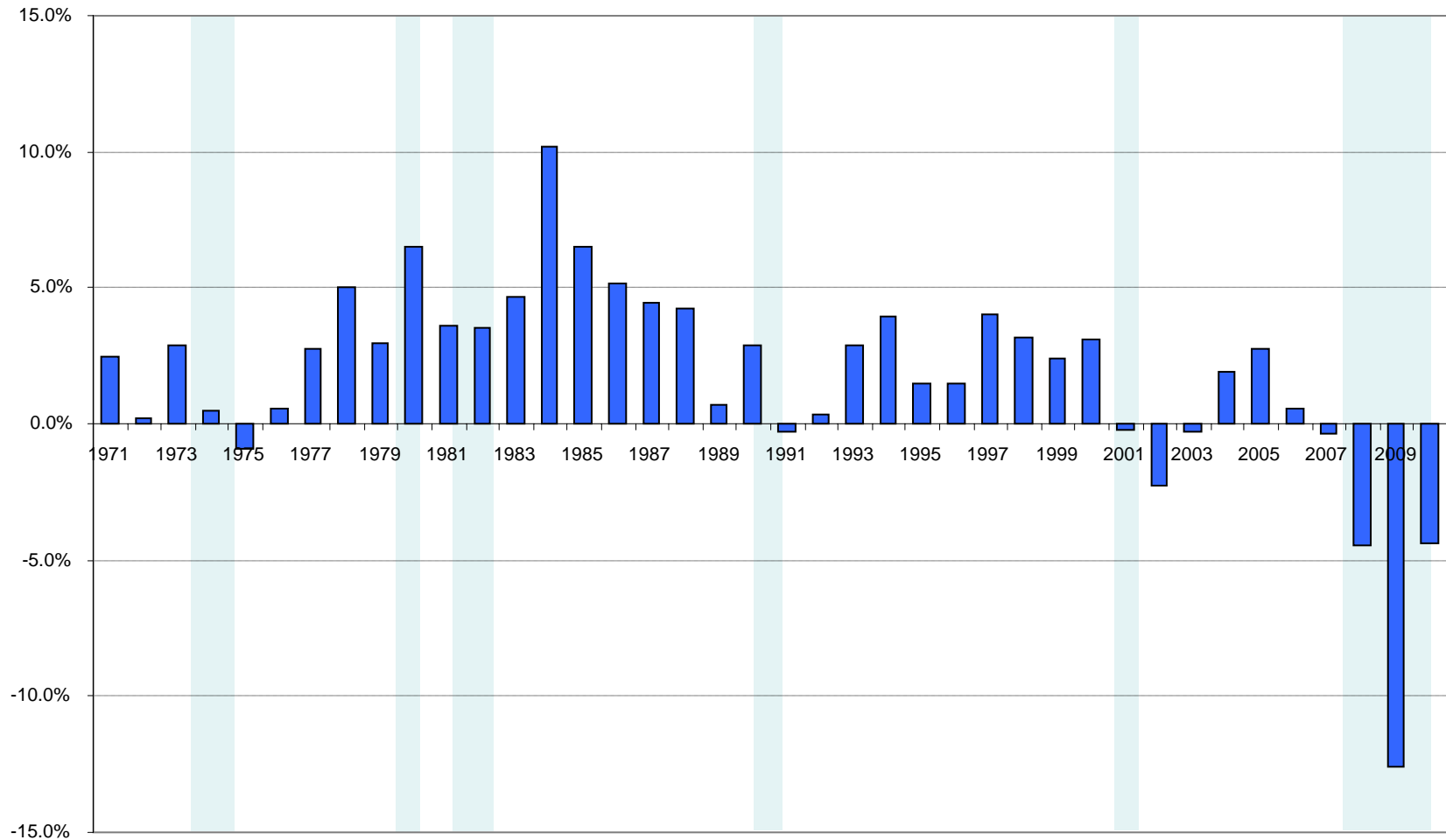
- **Price increase beyond the CPI cap**
- **If “exceptional or extraordinary circumstances”**
 - ❑ **Worst recession since 1930s**
 - ❑ **Volume declined more than post-9/11, anthrax, GDP**
 - ❑ **Key customers devastated**
 - **Credit cards, banks, real estate, retailers**
 - ❑ **Improved electronic alternatives**
- **If PRC finds “reasonable and equitable and necessary”**

FY 2011 Projected Net Loss




Pricing is one tool in our comprehensive Action Plan

Mail Volume



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 Economic Recession



Mailing Services Categories

- **First-Class Mail**
- **Periodicals**
- **Standard Mail**
- **Package Services**
- **Special Services**

Key Innovations

- Reply Rides Free
- Saturation / High Density Incentive

Retain and grow profitable volume

Reply Rides Free

- **Use bill & statement mailings for marketing**
- **1.2 ounce piece pays 1 ounce price**
- **Reply envelope or card included**
- **Volume growth over trend**

**Adds value to First-Class Mail
Slow diversion to electronic alternatives**

Saturation / High-Density Incentive

- **Expansion of 2009-10 Saturation program**
- **Program (recurring) mailers**
- **Rebates for volume growth**

Growth in high-margin advertising segment

Overall Approach

- **Average price increase of 5.6 %**
- **Generally 4% to 6% price increase**
- **Products under 100% cost coverage**
 - ❑ **Move towards profitability**
 - ❑ **Above average increase**
 - **Periodicals, Package Services**
 - ❑ **Manage effect on customers**

Average Price Changes

Product	% Change
First-Class Mail	5.4
Standard Mail	5.6
Periodicals	8.0
Package Services	6.7
Special Services	5.2

First-Class Mail

- **Letters**
 - ❑ 2-cent increase to \$0.46
 - ❑ New Forever Stamp images
- **Cards**
 - ❑ 2-cent increase to \$0.30
- **Additional ounce**
 - ❑ One-cent increase to \$0.18
- **Nonmachinable surcharge**
 - ❑ One-cent increase to \$0.21
- **Parcels**
 - ❑ Same price for 1 to 3 oz pieces





First-Class Mail Presorted

- **Letters and Cards**
 - ❑ Most prices increase 2.1 cents
 - ❑ No change for additional ounce
 - ❑ Nonmachinable surcharge increases to \$0.21
- **Flats**
 - ❑ Higher than average increase
- **Parcels**
 - ❑ New commercial prices
 - Presorted mail residual
 - Permit imprint, IBI meter, or PC Postage

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Standard Mail

Product	% Change
Letters	5.0
Flats	5.1
Carrier Route Basic Letters, Flats, and Parcels	4.9
High Density / Saturation Letters	4.8
High Density / Saturation Flats and Parcels	4.4
Parcels (Regular Marketing and Fulfillment)	23.3

Standard Mail Small Parcels Redesign

- **Improve profitability with 23% increase**
- **Segment by market use**
 - ❑ **Marketing Parcels**
 - Replaces NFMs
 - Expanded size limits
 - Requires “Or Current Resident” or similar markings
 - ❑ **Fulfillment Parcels**
- **Enable move to competitive**

USPS – profitable provider of small parcel service in marketplace

Periodicals

Product	% Change
Outside County	8.0
Inside County	8.0

- **Gradual move to cover costs**
- **Considers operational plans**
- **Encourages efficient preparation**

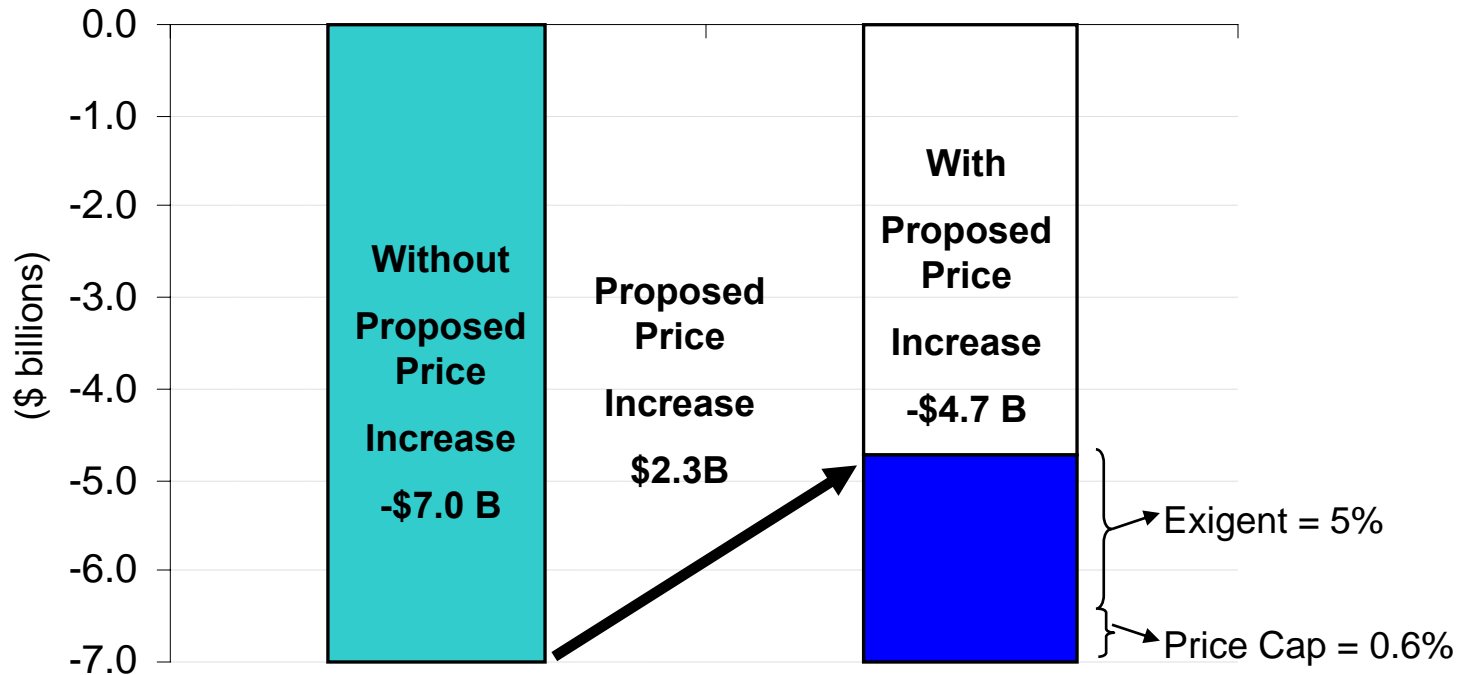
Package Services

Product	% Change
Single-piece Parcel Post	7.0
BPM Flats	5.0
BPM Parcels	7.0
Media Mail (including Library Mail)	7.0

Special Services

Product	% Change
Accounting Fee	5.1
Permit Fee	5.4
Certified Mail	5.4
Registered Mail	4.7
Post Office Boxes	5.9
Insurance	4.6

FY 2011 Projected Net Loss



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Timeline

- **July 6** **Exigent request filed with PRC**
- **Oct. 4** **PRC decision expected**
- **Jan. 2, 2011** **Prices implemented**