



## **What does the Immediate Future hold for Mailers?**

Written by **OMG Account Executive, Mark Hale, CMDSM, CMDSS, EMCM, MDP**

The next twelve months will be very important for Mailers to fully understand the direction of the USPS and the impact it will have on their processes and costs. The USPS is reviewing a number of initiatives to address their ongoing financial issues – these include not one, but two potential rate increases and changes in the IMb requirements. To ensure that the highest levels of discounts and compliance are met, Mailers must stay abreast of what the USPS is doing on a daily basis.

### **Annual Rate Increase**

The USPS is permitted to raise rates annually, not to exceed the annual Consumer Price Index (CPI) established in the Postal Accountability and Enhancement Act (PAEA). They have published an increase to be effective January 26<sup>th</sup> at the rate average 1.6%. Bear in mind that the *net* increase cannot exceed the CPI and they have the flexibility to maneuver prices up or down to reach the required average increase. For example First Class Letters and cards will increase 1.141%, Presort Letters 1.615%, Parcels 6.335% and Special Services 2.636%. As you can see it is extremely important to fully evaluate the proposed increases against your specific mailing processes. Are current mailings mailed as Parcels that could be converted to a Flat mailpiece by reducing page count or content? What is your Special Service usage- can you eliminate utilizing Return Receipt or convert to electronic? These are the types of evaluations that can minimize the impact of the rate increase.

### **Exigent Rate Increase Proposal**

The USPS has asked for an additional increase above the annual CPI increase to provide additional revenue against their deficit. The law (PAEA) allows the USPS to ask the regulator for a price increase above inflation for “exceptional or extraordinary” circumstances. The USPS is interpreting the financial condition of the USPS as an acceptable circumstance under the law. The USPS requested increase is 4.6% which would result in a 1 oz. First Class Letter to be increased \$.03 to \$.49 and Presort rates would rise an additional 4.29% on top of the 1.3 CPI increase. First Class Parcel rates would rise greater than 10% with the proposed increase. Obviously, these types of increases can significantly impact your organization’s expenses. An exigent rate increase must be approved by the Postal Regulatory Commission (PRC). It is not clear at this time if the PRC will accept, reject or alter the request of the USPS. There is the potential that mailers will experience two separate increases depending upon when the PRC makes their ruling. The CPI increase effective January 26<sup>th</sup> may be followed by the exigent increase (in whatever form) may be effective in February or March depending upon the actions of the PRC.

### **Full Service IMb Requirement**

Although the PRC has ruled that requiring mailers to use Full Service IMb for automated discounts effective 1/26/2014 exceeds the provisions of the Consumer Price Index price cap the USPS is still firmly committed to migrating towards this requirement at some time. A Full Service IMb must

include a unique Mailer ID and unique item number for each mail piece. Full Service also requires mailers to schedule appointments at their Acceptance facility and to submit mailing documentation electronically. Mailers working with a Mail Service Provider or Presort Vendor should discuss this requirement with their partner to understand the impact upon their service and costs.

These few items demonstrate the importance of understanding the changes and initiatives within the USPS and their impact on your business. OMG has over twenty years of experience, saving millions of dollars in postage – we can help you navigate through these requirements. Call us today at 513.429.9526 for a review and analysis of your Mail Services.