Rate Increases are the Wrong Prescription for an Ailing Postal Service

Would Cause Much More Mail to Leave the System and Worsen its Already-Grave Condition

Some believe that raising postal rates is an effective way to close the Postal Service’s yawning financial chasm; that its customers should have some “skin in the game” and join other stakeholders in “sacrificing” to save the system. The Postal Service itself has proposed to raise the single piece First Class, or “citizen’s,” rate of mail to 50 cents from 45.

Unfortunately, raising rates would be counterproductive, and potentially catastrophic, to saving the system: mailers will simply mail less. And once mail is gone, it is gone. It will not come back.

Mailers have choices: no one can force anyone to mail

- The Internet and other alternatives provide mailers in every class with options
- The Internet, in particular, is far less expensive than using the mail
- Mailers have become much more adept, and their customers much more comfortable, at transacting business online
- Postage is not a tax; there is no penalty for refusing to mail if rates go up

Mailers have their own financial concerns

- The mailing industry has lost approximately 1 million private sector jobs since 2007
- The distribution budgets of mailers – for mail and alternatives to the mail – are very lean
- Budgets are scrutinized for savings
- Supplemental funds for rate increases beyond inflation will not be available
- Of every dollar spent on First Class mail, 35 cents is for paper, printing and content creation; 65 cents is for postage; other classes have similar proportions.

The Postal Service’s financial crisis is substantially demand-driven, with the cultural shift to electronic communications, exacerbated by the recession, a primary source of the problem

- It would be profoundly self-defeating to raise prices when your customers need, and use, your services less at current rates.
- If anything, prices should be reduced, not raised, to recapture market share and volume.

Small local businesses, with few, if any, options to USPS, would be left to deal with higher rates by simply mailing less advertising (flyers, etc.), and seeing a direct, adverse impact on their bottom lines.

Simply said, raising rates will backfire, and make a bad postal situation worse.