The Graphic Arts Show Company (GASC) announces that exhibitors will have multiple opportunities to save money compared to past years for GRAPH EXPO 2011. As the most recent example, now due to reforms at McCormick Place, rather than being required to use McCormick Place’s services, GASC had the opportunity to choose an electrical contractor. GASC has selected Freeman Electrical, based on their pricing that now offers the lowest rates available. GRAPH EXPO, slated for September 11-14, 2011 in Chicago’s McCormick Place, is the year’s largest graphic communications exhibition and conference in the Americas.

GRAPH EXPO 2011 will feature a number of additional changes designed to make it easier and more cost-effective for vendors to exhibit at the show. The benefits and savings, part of a series of reforms begun last year at McCormick Place, will include the following:

- Free WiFi available throughout McCormick Place, including all common hallways, exhibit halls, and meeting rooms;
- A reduced parking rate, from $19 to $14, in surface lot B; and,
- Reduced food and beverage rates at concessions, exhibitors’ ability to pre-order the most popular food and beverage concession items for distribution in their booth, and the ability for exhibitors to bring outside food into McCormick Place for their employees.

These changes build upon the reforms already enjoyed by exhibitors during GRAPH EXPO 2010, including standardized and expanded straight-time windows; permission to use privately-owned automobiles and small utility vehicles to load in materials; expanded exhibitor rights regarding setup and tear-down; and more.

In addition to the changes at McCormick Place, GASC also announces that Freeman’s other rates and services, beyond the new savings on electrical services, will remain the same from 2010 to 2011. Although union wages and show costs continue to increase at a rate of 3-5% per

Continued on page 3
president’s perspective

Eight Reasons to Build Your Business in India

You have often read and heard us challenging, prodding and prodding our members about the virtues of “going global.” And, while I hesitate to play that tune all over again, after returning from a successful trade mission to New Delhi, India to see the Printpack 2011 show, it bears repeating.

MarkKannenberg,RBP Chemical Technology; Winston Tullock, PVC Spiral Supply; Scott Miser, Thompson Manufacturing Company; and, Steve Allen, Graphic Whizard Inc.

Ralph Nappi
NPES President

With apologies to the U.S. directors of foreign equipment manufacturers here in the states, if success is to be achieved with equipment sales—you MUST focus some time and resources outside the U.S. As obvious as it sounds, it’s amazing how few of our members actually do! But five companies did see the need to attend and participate in the mission to India last month. Those participants were: ScottMichels, Harris & Bruno; MarkKannenberg, RBP Chemical Technology; WinstonTullock, PVC Spiral Supply; ScottMiser, Thompson Manufacturing Company; and, SteveAllen, GraphicWhizardInc.

They did so for some compelling reasons like:
1. Printpack is the largest graphics show in India.
2. The growth of printing, packaging and converting in India is expected to average between 16-18% for years to come.
3. India’s GDP is at an 8.9% growth rate.
4. Literacy increases at staggering rates, which benefits the printed word.
5. 17 of the world’s top 100 newspaper publishers are in India.
6. There are over 16,000 publishers in India with 40% of their books published in English.
7. India is the 3rd largest publisher of English language books in the world, behind only the U.S. and UK.
8. 77% of all the printing houses in India are family owned.

I could go on... but you get the picture. How could companies not consider the demographic and economic opportunities that exist in places like India? And you know China and Brazil offer similar opportunities today.

Allow me to return to the specifics of the January mission to Delhi for Printpack. During our mission we had a full agenda; in addition to spending a substantial amount of time at the show, we visited and heard a presentation by the U.S. Commercial Service Officer about India. We visited two plants, first the International Print-O-Pac (IPP)—an ISO certified large family owned versatile printer that does all types of printing—and also the Hindustan Times that publishes a newspaper with daily circulation of 2.3 million.

The group also made time for various ‘meet and greet’ functions with the industry’s leaders in the printing and printing equipment related associations. Our office staff also arranged for several very specific appointments that allowed mission participants to explore everything from joint venture opportunities, to product sales, and personnel interviews. It was also equally important and enjoyable to take advantage of some of India’s culture and sites.

NPES member, Steve Allen, who is president of Graphic Whizard, Inc. wrote to me after the trip and said: “It was a pleasure meeting you last week in Delhi. Please accept my thanks and congratulations for having hosted a very well-run trade mission to attend Printpack India 2011. From the arrangements that Pernilla made before the trip, to the NPES booth at the exhibition, your organization did a first class job. The NPES staff based in Delhi and led by Viren were very professional and went out of their way to make our time as comfortable and productive as possible. In particular, Viren needs to be acknowledged for having done an outstanding job. I was very impressed with how well connected he is in the industry. We walked the show together during our first day at the exhibition and he introduced us to many of the key people in the industry when we visited them at their booths. In fact, we were stopped several times in the aisles by people he knew wanting to shake his hand and introduce themselves to us. To assist in my search for a distributor in India, he was able to identify who the top potential distributors were and who the key contact was for each of those companies. Then we visited each of them together where Vinod introduced me to them. If I had attended this exhibition on my own, I may have never found out that information. I certainly wouldn’t have done it by the end of the first day of the show. This left me with more than enough time to meet with each of them again at least once more before returning home. I am confident that we will come to an agreement with a suitable partner(s).”

And similar observations were made by each of the other participants as well. The bottom line: NPES wants and needs you to take advantage of Viren’s and Vinod’s expertise in India, and our expertise in China, Brazil and Russia. We recognize the challenges in exporting—but we also hope our well connected representatives; our contacts at the U.S. Department of Commerce; and, our efforts to bring people from around the globe to GRAPH EXPO and PRINT all make it a little easier to do.

Our next mission departs for Mexico City in May to Expografica. Let us help you! Please!

Mission participants visiting International Print-O-Pac (IPP) outside of Delhi, India. IPP’s depth and breadth of work was impressive.

Join NPES on a trade mission to Mexico in conjunction with the EXPOGRAFICA show in Mexico City, May 17-20, 2011

For more information contact
PernillaJonsson atphone: 703/264-7200 or
e-mail: pjonsson@npes.org
year, GASC has negotiated with Freeman for their rates to hold through 2011.

“Between the success of our efforts in gaining the cost-saving changes resulting from reforms to McCormick Place’s policies, and working with partners like Freeman to hold the line on costs, exhibiting at GRAPH EXPO 2011 is even more of a winning proposition for industry vendors than ever before,” said Ralph Nappi, GASC President.

For attendees, GRAPH EXPO 2011 will feature the newest array of cutting-edge, innovative equipment, technologies, unique new applications and services, all designed to help them streamline their workflow and increase profits. Indeed, according to the theme for this year’s GRAPH EXPO, “Embrace Technology,” GRAPH EXPO 2011 will offer live equipment demonstrations and feature the newest product introductions for attendees who will be there from 11 key market segments: Commercial Printing; In-plant Printing; Transactional Printing; Digital Print Imaging/Quick & Instant Printing; Package & Specialty Printing; Mailing & Fulfillment; Book Printing & Publishing; Wide Format Printing; Newspaper Printing & Publishing; Creative Services/Advertising/Marketing; and, Media/Print Buying.

As the largest, most comprehensive and most inclusive graphic communications exhibition and conference in the Americas, GRAPH EXPO 2011 will feature more than 300,000 sq. ft. of cutting-edge graphic communications technologies, products and services, with live equipment demonstrations and education on the most in-demand products and new profit-making opportunities. GRAPH EXPO 2011 will feature eight special-interest pavilions: Prepress/Software Design; Press/Finishing; displaying the latest innovations in digital and offset print, wide format, and binding and finishing technologies; the returning News Print—with 9,000 sq. ft. of exhibit space devoted exclusively to the needs of newspaper publishers and production pros; PackPrint—featuring solutions for package printing and converting with Future Print, covering emerging technologies; the Mailing & Fulfillment Center—the industry’s largest mailing event anywhere in the Americas; GREENspace—dedicated to sustainability and eco-friendly products and services; and, Education Main Street—for attendees seeking well-educated, talented industry newcomers to augment their company’s workforce.

For more information on GRAPH EXPO 2011, or to sign up as an exhibitor, phone: 703/264-7200 or visit: www.graphexpo.com.

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**Market Intelligence News: UCC Filing Update**

The chart compiled from UCC data provided herein by Equipment Data Associates (EDA), shows up-to-date UCC (see definition below chart) activity for all printing equipment. Although UCC filings are a combination of new equipment sales, used equipment sales and refinancings of existing placements, they are still a strong indicator of market activity. For the second consecutive month, new equipment filings have increased with December levels up over 25% from November levels but when compared to a year earlier (12/09) they are still down about 10%. What appears to be clear is that the downward trend that began in early 2008 has bottomed out and we are returning to a slow growth pattern. This will become clearer when we see UCC filings for January 2011. This information is extracted directly from EDA’s comprehensive database of nearly 30,000 records for purchasers of printing equipment.

For each of the data points in the table, subscribers to EDA’s market intelligence services can see exactly who purchased the piece of equipment—and the manufacturer and model. NPES member companies that participate in the free NPES Market Data program are eligible for significant discounts on EDA’s services. By combining the critical purchaser information from EDA with the comprehensive market statistics, analysis, and forecasts provided by NPES’ free Market Data program, participating NPES member companies can get a complete picture of the current and anticipated future activity in the marketplace.

For more information, or to join the free NPES Market Data program, contact NPES Assistant Director for Market Data, Rekha Ratnam at phone: 703/264-7200 or e-mail: ratnam@npes.org. For specific information about the market intelligence services offered by EDA, contact Mauricio Jurin at phone: 704/845-1099 or e-mail: mjurin@edata.com.

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**Printing Equipment UCC Filings: 2006–2010**

A Uniform Commercial Code Form 1 (UCC-1) filing is a financing statement required by law to be filed with the state to show that one party (usually a lender) has a security interest in another party’s (usually a borrower's) personal property, and most frequently relates to the commercial financing of capital equipment through a lending institution. UCC data is filed everyday throughout the U.S. Each UCC data filing statement has three components: the borrower, the lender, and what the borrower purchased, including make, model and serial number. Once the data is filed, EDA’s more than 50 employees manually review each filing to identify and correctly classify the transactions of printing equipment. What results is a robust database that offers subscribers continually updated information on exactly who is buying or leasing what pieces of equipment.
When Color-Logic Inc. was formed in March 2010, the economy and our industry were emerging from the deepest recession in recent history. In that challenging environment, why was it the right time to launch your new company? And what key strategies have enabled its growth since?

I’ve been involved in color management and metrology for the graphic communications industry for 30 years, and it has been a great industry for me and my family, so I wanted to find a way to give back.

A downturn in the economy can be viewed as either a problem or an opportunity. Keep in mind, advancements in digital print, coatings and ink technologies move forward independent of any economic cycle. In fact, the best time to start a new company is often when things are down, because if you can survive in those times then you can succeed in any environment.

The best time to start a company is when you have product that fills a customer need and that product enables customers to recoup their costs. Incidentally, the definition of a leader is the individual who is first to find that ‘new opportunity.’

My partners and I developed a turnkey solution for creating metallic printed products, mindful of our key strategy—that it be affordable to any printer and could be implemented without a major capital expenditure. What we developed is a cost-effective system that operates within designers’ current workflow, using printers’ existing technology. A major feature of the Color-Logic product is that it does not disrupt or change the existing workflow of the designer or the printer; it is a plug-in technology that works within all of the existing design software—PhotoShop, Quark, InDesign and Illustrator. And we don’t just sell a license; we actually provide test forms that our customers can use as sales tools, co-branded with their name, so they can begin promoting the technology to their clients without thinking: “I bought it; now what do I do with it?” Moreover, the Color-Logic license applies to all printing processes—so as we change, our customers can grow with us at no additional cost.

Looking ahead, what technologies and trends do you believe will impact your business in the next five years?

Digital print and added services are the two key trends we see impacting our business in the next few years. Commercial printers are expanding their services to become ‘communications companies.’ As they purchase new inkjet or digital presses to expand their businesses, because of the process predictability and adaptability of our product, we will grow with them.

We’re also seeing new trends in substrates and coatings. Because printers are no longer merely printing on paper—but on plastics and textiles as well—we are developing tools to help them create special effects that will easily adapt to new processes and substrates.

What advice can you offer printers to help them as our industry continues to rebound?

In two words, my advice is: ‘training’ and ‘education.’ Graphic designers currently achieve special effects largely through trial and error. That’s why we spent a tremendous amount of time developing tutorials to help train them to work effectively using metallics to create special effects.

By education, I would suggest that printers take an active role in educating their customers—brand managers, agencies and other print buyers—about how much diversity in print can be achieved using current offset and digital printing technologies. In doing so, they will also learn what else they can do to support their customers’ businesses going forward.
In July 2010, Color-Logic Inc. announced its first certified Color-Logic customer in Ecuador—Poligrafica, a major commercial and package printer. How has Color-Logic Inc. leveraged its resources to pursue growth opportunities in the global marketplace? And which market segment represents your greatest opportunity for growth in the future?

We’re a small company so we have to utilize our technology partners—press, RIP, printer, workflow, and substrate manufacturers—to convey our message to the marketplace. We educate our customers about how our technology benefits their customers, and our technology partners have been very helpful in expanding our message to their client base.

Because we are such a new company, and all market segments could benefit from our product, every market segment offers a growth opportunity for us! And, as printers expand into new markets, our solution will grow with them since the software will continue to be compatible with flexo, offset, digital and inkjet—all the major printing processes.

With varying opinions about where our economy and industry are headed in the short and long term, where will you gain the information you need to plan for the months and years ahead?

I am a big proponent of conferences, shows and seminars, because these events offer the opportunity to go face-to-face with customers and hear what they need. We launched Color-Logic at GRAPH EXPO 2010 and it got our company off to a great start. One of our software programs was chosen as a MUST SEE ‘EM, and the recognition gave us, as a new company, immediate exposure and credibility with our clients. Even more important, the show generated lots of new leads for us. What we do is visual. Designers, agencies and brand managers need to see it, touch it, and feel it. Exhibiting at GRAPH EXPO gave us the opportunity to show our stuff to all the right people.

Vision 3 Summit to Pinpoint Direct Marketing Opportunities for the Future

Direct marketing is a predominant category of print usage, spanning such print products as direct mail, catalogs, inserts, flyers, transpromo, and more. But, just as with many other facets of print, direct marketing is being affected by numerous changes in the North American marketplace—and no one knows for certain what the future of direct marketing will look like. For executives seeking a glimpse into the crystal ball, the new Vision 3 Summit leadership conference, coming March 13–16, 2011 to the Desert Springs JW Marriott in Palm Desert, CA, will feature a special session on the trends and future of direct marketing. The session, “Trends & Future of Direct Marketing,” will deliver a thoughtful look at today’s printing industry, the ongoing changes in the North American marketplace, and how direct marketing will be affected. Led by graphic communications consultant and expert in marketing, product management and finance John Zarwan of J. Zarwan Partners, attendees will learn what impact technology, the economy, social issues, environmental concerns, postal rates and demographic changes will have on direct marketing demand, and discover other influences on the North American print markets as well.

“Particularly with today’s consumer being so marketing-savvy, print clients are increasingly turning to direct marketing,” said Ralph Nappi, NPES President. “It’s therefore crucial for graphic communications executives to pinpoint direct marketing opportunities for their clients and understand just how direct marketing tactics may change over the next few years.”

In addition to “Trends & Future of Direct Marketing,” the Vision 3 Summit will feature a variety of educa-
The importance of direct marketing is clearly understood throughout the graphic communications value chain of suppliers and printers. With print under attack from a variety of sources, and print revenues declining, direct marketing remains one of the few industry bright spots. With the growth of non-print direct marketing activities, and increasing competition from new forms of marketing and promotional tools, the role of print in direct marketing is under pressure.

To address this concern, PRIMIR® recently published a new 420-page study, “Trends & Future of Direct Marketing.” It examines direct marketing and particularly how printed direct marketing channels are faring in light of a host of new non-print direct marketing options. E-mail, web sites, social media, and mobile channels, among others, all pose threats to print.

The study covers the impact of technology, economic and social issues, environmental, postal rates, and demographics, as well as developments and differences in key vertical market sectors. J Zarwan Partners teamed up with INTERQUEST to conduct this important research for the PRIMIR members. The extensive methodology included a review of primary and secondary literature; in-depth discussions with more than 160 industry experts, vendors, agencies, print service providers, and high level marketing executives from various industry sectors; and separate quantitative surveys with 218 marketing executives and 291 print providers.

Key Trends in Direct Marketing

Direct marketing is a key component of the marketing mix. Direct marketing’s share of advertising expenditures has shown a strong upward trend over the past decade and continues to grow, accounting for nearly half of all advertising spending. In 2009, direct mail and telemarketing were the most important channels. However, non-print media such as web-direct, e-mail, mobile and social networks are increasing in importance and share.

The recession of 2007-2009 caused marketers to re-evaluate all advertising spending and particularly that of print. Direct mail was particularly hard hit. Since non-print channels are thought by marketers to be less expensive, the impact on those channels was less severe.

After two years of decline, direct mail and other print direct marketing channels are growing again, however, it will be some time, if ever, before print-based direct marketing spending reaches its pre-recession levels. As marketers evaluate marketing expenditures, printed direct marketing will likely continue to lose share to other marketing vehicles.

Print Direct Marketing Media

Major print-based marketing channels include direct mail, catalogs, inserts and flyers, including newspaper pre-prints and free standing inserts (FSI), and transaction mail, including inserts and promotional messages printed on statements and invoices.

Not surprising, the research study revealed that print-based direct marketing faces a number of fundamental challenges. One key challenge for the recovery of print-based direct marketing is the rise of new, innovative, and purportedly less expensive methods for reaching customers and prospects. In the PRIMIR research, marketers noted the cost of print and competition with electronic/digital direct marketing channels as the two biggest issues confronting print direct marketing. Other challenges and issues include timeliness, personalization, and measuring ROI.

Marketers, however, believe that print has a number of significant advantages, particularly deliverability and the ability to target finely. Marketing executives who were interviewed believe that print is more personal than other media, and that customers prefer print. Other advantages for print include its tactile nature and the ability to produce better graphics.

![Direct Marketing Expenditures in U.S., by Medium, 2009](chart)

![Marketer Survey: Print-Based Direct Marketing Activity 2010-2013](chart)

![Marketer Survey: Advantages of Print-Based Direct Marketing](chart)
2011: New Year, New Congress, New PMG, Same Challenges for US Postal Service

January 2011 ushered in the new 112th Congress and a new Postmaster General, but the United States Postal Service (USPS) continues to face the same vexing challenges that have increasingly undermined its financial viability in recent years. Trying to assist in resolving these challenges, NPES and other mailing industry organizations continue to work with Congress and the Postal Regulatory Commission (PRC) in addressing ways to improve and sustain the Postal Service, which remains vital to the U.S. economy, even in an increasingly digital world.

Former Deputy Postmaster General Patrick R. Donahoe has assumed the leadership of the Postal Service following the retirement of John Potter, who had been Postmaster General (PMG) since 2001. One of Donahoe’s first steps was to reorganize USPS senior management, creating what he called a “flatter, leaner organization” that has the flexibility to accomplish the Postal Service’s goals of: strengthening the business-to-consumer channel; improving the customer experience; competing for package business; and becoming a leaner, faster and smarter organization. Donahoe’s plan also includes cutting up to 7,500 positions through attrition, with the possibility of early retirement package offers.

He also announced the creation of a Chief of Sustainability Officer, who would continue leading the “greening” of the Postal Service. This new official would report to the yet-to-be-named new Deputy PMG, to whom Donohue has also assigned the responsibility of interfacing with Congress.

Near the end of the 111th Congress, Senators Tom Carper (D-DE) and Susan Collins (R-ME) each introduced postal reform legislation setting the stage for debate this year in the new 112th Congress. Although certainly not identical, both bills covered a wide range of issues. Each bill specifically addressed the need to recover the Postal Service’s $50 billion plus overpayment to the Civil Service Retirement System (CSRS) and the Federal Employee Retirement System (FERS), with the hope of using the money to fund retiree health benefits and possibly other Postal Service expenses. It is anticipated that both senators will re-introduce postal reform bills in the new Congress this year.

On the other side of Capitol Hill, Congressman Gerald Connolly (D-11-VA) has already introduced a postal reform bill this year, and the USPS continues to be under the jurisdiction of the House Oversight and Government Reform Committee, now chaired by Congressman Darrell Issa (R-49-CA) in the new Republican-lead House of Representatives. Chairman Issa has called for business to tell him which federal regulations impede business, and has specifically expressed interest in addressing Postal Service issues.

Finally, on January 11 the Postal Regulatory Commission (PRC or Commission) convened a public forum beginning the statutorily required five-year evaluation of the Postal Accountability and Enhancement Act of 2006 (PAEA), with the objective of developing a report to the President and Congress that would make recommendations for legislation and other measures to improve U.S. postal laws. Leading the forum, PRC Chair Ruth Goldway noted that the Commission has already identified areas of the law to revise, and has specifically recommended adjustments to the funding of Postal Service pension and retiree health benefits.

Commission Chair Goldway also invited comments on other areas of Postal Service activities, including: the CPI price cap, acceptable service levels, the need for classes of mail to cover their costs, work share discounts, the effectiveness of the PRC complaint process, and the ability of the Postal Service to meet the challenge of digital competition. The PRC hopes to complete its report by April of this year.

During the wide-ranging dialogue, a number of forum participants emphasized the need for the mailing industry to achieve a consensus around a common set of principles and objectives from which to speak with one unified voice to Congress. NPES strongly endorses this objective.

For more information contact NPES Government Affairs Director Mark J. Nuzzaco at phone: 703/264-7235 or e-mail: mnuzzaco@npes.org.

YES, Go Ahead and EXPORT!

Did you know that the National Export Initiative (NEI) that was announced in President Obama’s 2010 State of the Union address will:

- Provide more funding for export promotion and more coordination between government agencies
- Ensure that commercial advocacy objectives obtain government-wide support and that we advocate more effectively for U.S. products
- Create an Export Promotion Cabinet that reports to the President which will consist of top leaders from the Departments of Commerce, State, Agriculture, Export-Import Bank, United States Trade Representative, and the Small Business Administration, and
- Increase the government’s focus on barriers that prevent U.S. companies from free and fair access to foreign markets?

Did you also know that manufactured goods exports represent over 60 percent of total U.S. exports of goods and services?

The National Export Initiative (NEI) is a new effort that will lead to long-term, sustainable economic growth for the United States. President Obama’s goal is to double exports over the next five years, an increase that will support two million American jobs. Since the NEI was announced, the President has signed an Executive Order and formed an Export Promotion Cabinet that consists of top leaders Administration-wide.

The Export-Import Bank of the United States (Ex-Im Bank) announced its Global Access for Small Business (Global Access) initiative in January 2011 as a response to President Obama’s National Export Initiative which will help more than 5,000 small companies export goods and services produced by U.S. workers. The Global Access initiative is supported by a wide variety of business, financial and government partners. The Commerce Department, U.S. Trade Representative, Small Business Administration, U.S. Chamber of Commerce, National Association of Manufacturers, PNC, Wells Fargo, Bank of America, Merrill Lynch, and HSBC Bank USA, N.A. have signed on as Global Access partners.

To facilitate exporting for small business the Ex-Im Bank is offering new financing and insurance products—tools that will facilitate the process of doing business internationally. For more information on the National Export Initiative and the supporting programs, please visit: www.export.gov, www.exim.gov/small-business and www.nam.org.
**Proposed Postal Price Increases Announced But...**

**INTELLIGENT MAIL BARCODE DEADLINE RELAXED: FIRST CLASS LETTERS REMAIN 44 CENTS WHILE BUSINESS RATES INCREASE**

The United States Postal Service (USPS) has filed a proposed rate increase with the Postal Regulatory Commission (PRC), which has until February 16, 2011 to rule on the request. If approved, the new rates would go into effect April 17, 2011 and would be capped at 1.7 percent; increases for various products and services would vary.

Under the proposal Single-piece 1-ounce First Class letters would remain at 44 cents with additional ounces increased to 20 cents. Postcard rates would go up one cent to 28 cents, with Express Mail and Priority Mail rates unchanged. Business mailers would see price increases in a variety of categories. Details can be found at: www.usps.com/prices.

Newly installed Postmaster General Patrick R. Donahoe also announced that the deadline for implementation of the Intelligent Mail barcode (IMb) will be delayed, with existing discounts extended beyond May 2011. He stated that this delay recognized customer concerns about significant upfront investment and the long-term return on it, loss of discounts due to non-compliance, and that the USPS was “moving too fast.”

Under the price cap provision of the 2006 Postal Law, the newly proposed price increases are limited by a moving average of the Consumer Price Index (CPI), which is 1.741 percent. If approved, the price increases are expected to yield $340 million for the balance of the current fiscal year, and $720 million for a 12-month cycle.

The new price increases are in contrast to the Postal Service’s 2010 request for steeper exigent rate increases that were rejected last September by the PRC and are now on appeal by the Postal Service with the District of Columbia Circuit U.S. Court of Appeals. PMG Donahoe explained that “the urgency of the Postal Service’s current financial challenges requires this [CPI capped] price change even as it waits for a decision from the federal courts on the exigent rate case.”

Last year’s rejected rate hikes were the first application under the Postal Accountability and Enhancement Act of 2006 (PAEA) that authorizes adjusting rates in excess of the Consumer Price Index for “market dominant products”—like First Class Mail—when there are “extraordinary or exceptional circumstances.” The Postal Service asserted that a CPI-limited increase would have prevented it from making discernable progress towards closing the estimated $7 billion shortfall in its FY2011 budget.

The Postal Service cited the precipitous and unprecedented 20.1 percent drop in mail volume and corresponding $11.7 billion loss of revenue that has occurred since 2007 as the “extraordinary and exceptional circumstances” that would support an exigent rate increase at this time. It attributed this mainly to the recent severe recession.

In rejecting the Postal Service’s plea, the PRC agreed that the recent severe recession, and the concurrent decline in mail volume did qualify as extraordinary or exceptional circumstances under the 2006 PAEA, but disagreed that the need for the requested rate increases were due to these factors.

According to PRC Chair Ruth Y. Goldway, “the primary cause of the [USPS] liquidity crisis was structural and related to an overly ambitious requirement for the Postal Service to fund its future retiree health benefit premiums.”

NPES and its allies in the mailing industry strongly opposed the exigent rate increases as being a very counterproductive catalyst that would ultimately drive more volume from the system and perpetuate the Postal Service’s downward financial spiral, and lauded the PRC’s decision to reject the increase.

For more information contact NPES Government Affairs Director Mark J. Nuzzaco at phone: 703/264-7235 or e-mail: mnuzzaco@npes.org.