



The Honorable Roman Martinez IV  
Chairman  
Board of Governors  
United States Postal Service  
475 L'Enfant Plaza, SW  
Washington DC 20260-1000

June 27, 2023

Dear Mr. Chairman:

The Coalition for a 21<sup>st</sup> Century Postal Service (C21)<sup>1</sup> writes concerning an issue of serious mutual concern, and offers a proposal to address it.

As we understand the Delivering for America Plan (the Plan), part of the strategy to restore financial health to the Postal Service was to institute “uncomfortable” postage rate increases until revenues would equal expenses. The plan acknowledged that significant price increases would cause volume reductions, but a net impact of greater revenues would result. While the impact of rate changes has yet to play out fully, judging from preliminary data through your 10-Qs, as well as weekly “flash” data since April, piece volumes are falling faster than envisioned by the Plan. Revenues are now running below last year’s actuals. This is a phenomenon we have not yet seen at the Postal Service; one that deserves much greater scrutiny.

This is an industry-wide issue and one that will impact the long-term health of the USPS. Rate increases are causing mailers to make serious business decisions about their postal exposure, such as diverting to electronic communications and/or simply reducing volume. The impact of these reactions, which the Postal Service anticipated, as above, appears to be growing well beyond the USPS projections. The result is that price increases at this scale and pace are becoming counterproductive to raising additional revenue. This critical element of the Plan is now moving against the goal of financial solvency. And that is before factoring in the impact of the increase scheduled for July 9. Considering current circumstances, the results suggest the plan needs adjustment.

In view of this, mailers respectfully suggest a pause in the recently approved increase scheduled for July. Much like the Federal Reserve has paused interest rate increases to better understand

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<sup>1</sup> C21 consists of business mailing associations and companies – newspapers, magazines, advertisers, catalogers, e-commerce, parcels, greeting cards, financial services, telecommunications, insurance, small businesses of every kind, paper, printing, technology, envelope manufacturing, mail services, who understand the essential role of USPS and want it sustained for the future. It broadly represents an industry generating \$1.6 trillion in sales and supporting 7.3 million private sector jobs. See Chapman and Johnson, EMA Foundation’s US Mailing Industry Jobs & Revenue Study, pp. 8-9 (2019). <https://www.envelope.org/emaf/wp-content/uploads/sites/3/2020/04/04062020EMA2019U.S.MailingIndustryEconomicJobStudy5B52725D-1.pdf>

We have attached our membership list.

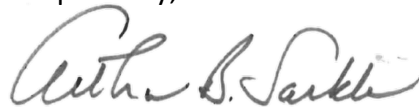
the impact of previously instituted increases, we request the Governors consider a pause in rate increases so more information can be gathered as to elasticities and other inputs to mail and package volume.

The decision when to implement rate increases rests, of course, solely with the Governors. Therefore, these rates, were you to find no adjustments necessary, could be implemented later this year after sufficient time to reevaluate. Further, the Postal Service would not lose the rate authority you approved for the forthcoming increase if reevaluation took longer; it could be banked and applied as provided in the law (39 USC §3622(d)(2)(C)). Ideally, from our perspective, the delayed rate increases would begin to be applied with the January 2024 increase, allowing mailers sufficient time to budget more accurately and prudently for postage costs now that the density factor is known.

While a positive decision on this request would provide minimal notice to industry, under the circumstances in which we find ourselves, that would be acceptable. A pause would allow for, among others, reexamination of elasticities in light of this revenue trend below projections and provide answers that may include redefining the optimum sweet spot of rate and volume in order to maximize postal revenues as the Plan intended. Software that has been developed to support the July 9 increase can be shelved and then “go live” when the increase is eventually instituted.

We would greatly appreciate your consideration of this proposal, and would be happy to address any questions it brings forward. Thank you.

Respectfully,



Arthur B. Sackler  
Executive Director  
Coalition for a 21<sup>st</sup> Century Postal Service

Cc:

Vice Chairman Anton G. Hajjar  
Gov. Robert M. Duncan  
Gov. Donald M Moak  
Gov. William D. Zollars  
Gov. Amber F. McReynolds  
Gov. Ronald D. Stroman  
Gov. Derek Kan  
Gov. Daniel Tangherlini  
The Postmaster General  
The Deputy Postmaster General