

DO CONGRESS AND THE POSTAL REGULATORY COMMISSION AGREE ON THE USPS'S ABILITY TO REQUEST AN "EXIGENT" RATE INCREASE?

The following is an article prepared for Mailing Systems Technology by Experian Postal Products and Affairs Vice President Steven Lopez. It appears here with the permission of the author.

A question that's top of mind for many mailers who went through the Postal Accountability Enhancement Act of 2006 (PAEA) is, what does Congress think about the recent USPS filing to the PRC of an exigent rate increase? Here are some things to consider on the legality of the filing (not the rates themselves) that Congress may weigh in on.

The key question is does this meet the definition of "extra ordinary or exceptional" as written into the law? The majority of mailers would answer that it does not based on the following two reasons:

1. When exigent (written as extra ordinary or exceptional) language was placed into the law it was meant to allow the USPS to request funding when faced with another unforeseen catastrophe. At the time, the Postal system had just gone through the Anthrax attacks. Similar catastrophic events might include a nationwide power grid failure, an oil embargo causing fuel shortages, or significant damages due to weather-related occurrences such as earthquakes, tsunamis, tornados or hurricanes that produce significant damage to widespread areas of the country. These are things that one could say are reasonable and can be defined as exceptional and extra ordinary. These types of natural or man made disasters would be devastating to the nationwide infrastructure the Postal Service network relies on to operate. An economic downturn, while difficult, doesn't fall into the same definition of extra ordinary.
2. The USPS has not exhausted all options under their control prior to asking the PRC for funding. Additional considerations include reducing labor costs that comprise 80 percent of their costs. Asking the Unions to contribute to the "belt tightening" in the form of temporary pay cuts, furloughs, suspended 401K matches, reduced company contributed benefits, are all things the private sector employs during economic downturns in order to remain in business..

When wondering about Congress' position, consider recent Capitol Hill hearings held on the USPS's other request to save money by eliminating Saturday delivery – few elected officials at the recent joint Congressional hearing had anything positive to say about the five-day proposal, raising doubts about its chances. Senator Claire McCaskill, Democrat of Missouri, said that the service could lose a significant competitive advantage by cutting Saturday delivery, as other carriers charge more to deliver on weekends. She stated, "maybe we need to focus on six-day delivery as the lead on how we can compete as opposed to abandoning it first,". Representative Jason Chaffetz, a Republican representing Utah, suggested that cost-cutting alone would not save the service and that instead it should be asking itself how it could become more relevant to customers.

(source:NYTimes,
<http://www.nytimes.com/2010/07/06/business/06postal.html?pagewanted=all>).

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