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U.S. Postal Service Seeks Dismissal of Pricing Protest *Urges Regulator to Decline ‘Invitation to Go Through the Looking Glass’*

WASHINGTON — Saying the Affordable Mail Alliance made “manifestly misleading comparisons” and advanced a “strained and fatally flawed interpretation” of existing law, the U.S. Postal Service today asked the Postal Regulatory Commission (PRC) to deny an alliance request to dismiss the Postal Service’s current pricing request.

“The Commission should refuse the Alliance’s invitation to ‘go through the looking glass,’ deny the motion and proceed to a consideration of whether the Postal Service’s requested rate increases are ‘reasonable, equitable and necessary,” the Postal Service response states.

The Postal Service filed recommended price changes with the Postal Regulatory Commission on July 6, providing data and evidence that “exceptional and extraordinary circumstances” exist, allowing the Postal Service to seek prices above the current .6 percent Consumer Price Index cap. The Affordable Mail Alliance (AMA) last week asked the PRC to deny the request.

The Postal Service motion filed today lists a number of mistakes, misrepresentations and misinformation with the AMA’s request, including:

The Postal Service has proven extraordinary circumstances:

Precipitous, unprecedented and unforeseen drops in mail volume are inarguable and meet the definition and spirit of the law. In fact, a letter from two primary authors of the Postal Act, Sen. Thomas R. Carper (D-DE) and Sen. Susan Collins (R-ME), noted that “extraordinary or exceptional circumstances” include not only terrorist attacks and natural disasters, but also “other events that may cause significant and substantial declines in mail volume...that the Postal Service cannot reasonably be expected to adjust to in the normal course of business,” such as the worst recession since the Great Depression.

“Rather than engage in arcane disputes about whether a particular circumstance could arguably have been foreseen, the focus on the exigent inquiry should be of its impact on the Postal Service,” the Postal Service filing states.

The AMA knows that the Postal Service has very specific legislative and regulatory restraints in labor and workforce issues:

The Postal Service has no discretion under the law to suspend any benefits, payments, including matching contributions to workers’ Thrift Savings Plans. More than 93 percent of private sectors companies and 88 percent of public sector companies do not have union representation. Those that do are not forced to rely on an interest arbitrator to resolve contract negotiations.

The AMA erroneously and purposefully compares the Postal Service to its private-sector competitors:

The Postal Service is not a private sector company and faces unique constraints. Many of the cost-cutting efforts by other shipping companies are not an option for the Postal Service. These companies raised

rates, increased surcharges, adjusted service levels and stopped payments into 401 (k) plans. These are either not options or require regulatory approval for the Postal Service.

The Postal Service clearly and indisputably demonstrated honest, efficient and economical management:

The Postal Service has achieved cost savings of \$1 billion per year every year since 2001; in 2009 the cost savings reached \$6.1 billion by reducing through attrition its workforce by the equivalent of 65,000 full time employees. In fact, it was able to reduce its career workforce from an all time high of 802,970 in 1999 to today's 588,561, while focusing on improving service and growing postal products. Other successful efforts include halting construction of new postal facilities; negotiating an agreement with the National Association of Letter Carriers that adjusts letter carrier routes to reflect diminished volume; consolidating mail processing facilities.

"Considered as the basis for the relief it seeks, however, it (AMA filing) quickly collapses into a pastiche of selective memory, misunderstanding, and misrepresentations, leavened with a healthy dose of willful ignorance of the legal and political context in which the Postal Service operates," the Postal Service filing states.

In every instance, the AMA chooses to ignore the political and legal realities the Postal Service faces, despite its members long and involved history with the Postal Service. The Postal Service cannot close facilities for economic reasons. There are a number of legal constraints and provisions affecting labor costs. The number of days mail must be delivered and pre-paying for retiree health benefits also are mandated and part of the political and regulatory reality for the Postal Service.

In its filing, the Postal Service urged the PRC to dismiss the AMA's request.

"Substantively, the Motion is wholly deficient, in both its interpretation of the 'extraordinary or exceptional circumstances;' prong of the exigency standard, and in its interpretation of the requirement that an exigent increase be 'reasonable and equitable and necessary' to enable the Postal Service, under best practices of honest, efficient, and economical management, to maintain and continue the development of postal services of the kind and quality adapted to the needs of the United States."

The Postal Service receives no tax dollars for operating expenses, and relies on the sale of postage, products and services to fund its operations.

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A self-supporting government enterprise, the U.S. Postal Service is the only delivery service that reaches every address in the nation, 150 million residences, businesses and Post Office Boxes. The Postal Service receives no direct support from taxpayers. With 36,000 retail locations and the most frequently visited website in the federal government, the Postal Service relies on the sale of postage, products and services to pay for operating expenses. Named the Most Trusted Government Agency five consecutive years and the sixth Most Trusted Business in the nation by the Ponemon Institute, the Postal Service has annual revenue of more than \$68 billion and delivers nearly half the world's mail. If it were a private sector company, the U.S. Postal Service would rank 28th in the 2009 Fortune 500.