

#### **FAQs**

## **Mailing Services 2013 Pricing**

## **Background**

New postal Mailing Services prices (also known as market-dominant products) were announced Oct. 11, 2012, and will take effect Jan. 27, 2013. Mailing Services includes First-Class Mail, Standard Mail, Periodicals, Package Services, First-Class Mail International and Extra Services (also known as Special Services).

## **Possible Questions**

#### When will the new prices go into effect?

Jan. 27, 2013 (12:01 a.m. ET)

## What is the Consumer Price Index (CPI) price cap for the January price change?

2.6 percent (exact cap is 2.570 percent). By law, the average price increases for each class of mail must be equal to or less the rate of inflation (as measured by the Consumer Price Index).

#### If the cap is 2.570 percent how can the Extra Services prices increase by 2.850 percent?

When the prices for certain products are raised by less than the full CPI amount, the remainder can be used in future years. This year the Postal Service is using some of this remainder to increase the prices for Extra Services.

## Is Parcel Post part of Mailing Services?

As of Jan. 27, 2013, Parcel Post will become part of Shipping Services, and will be renamed "Standard Post". Although Parcel Post is moving to Shipping Services, Alaska Bypass will stay in Mailing Services and its prices will be de-linked from the competitive Standard Post (Parcel Post) prices.

#### Why are you raising prices?

We have considered the current economic environment and its effect on both customers and the Postal Service itself. The Postal Service is in the midst of a financial crisis and price adjustments are one way to increase revenue to help the Postal Service return to sound financial footing. Meanwhile, we continue to take actions within our control to increase revenue in other ways and to aggressively cut costs. We also urgently need enactment of comprehensive, long-term legislation to provide the Postal Service with a more flexible business model.

## How much revenue will the price changes generate?

For Mailing Services overall, the price change will generate an estimated \$964 million in fiscal year 2013.

## In the past the Postal Service sometimes would go years without changing prices. Why are price changes now more frequent?

In accordance with a 2006 law, the Postal Service adjusts prices on an annual, predictable basis. While prices change more frequently, the increases are generally smaller and tied to the rate of inflation for each class of mail.

#### What is the role of the Postal Regulatory Commission (PRC) in this price adjustment?

The Postal Service filed notice with the PRC for the Mailing Services price adjustment on Oct. 11. The Commission has 45 days to review the new prices to make sure they comply with the CPI price cap and other regulations. The new prices will then take effect Jan. 27, 2013.

## Percentage Increases for All Mailing Services

What is the overall average price increase for all Mailing Services classes?

2.57 percent, the rate of inflation based on the Consumer Price Index.

#### What is the average percent increase for each class of mail?

| Class            | Percent Change |
|------------------|----------------|
| First-Class Mail | 2.750          |
| Standard Mail    | 2.570          |
| Periodicals      | 2.567          |
| Package Services | 2.569          |
| Extra Services   | 2.850          |

#### Stamp & Other First-Class Mail Price Changes

#### How much is the cost of a First-Class Mail stamp going up?

Only a penny, from 45 cents to 46 cents. This is only the second increase in the stamp price since May 2009. Most First-Class Mail stamps are now Forever stamps. Forever stamps you already have purchased and those you purchase prior to Jan. 27, 2013, will continue to be valid for a 1-ounce First-Class Mail letters – no extra postage will be required. On Jan. 27, 2013, the price for new Forever stamps will be 46 cents.

# I still have 45-cent First-Class Mail stamps that are not Forever stamps. Can I still use those stamps after January 27?

Yes, but you'll need to add one cent additional postage.

#### How are other First-Class Mail prices changing?

- Single-piece letters additional ounces unchanged at 20 cents
- Postcards 1-cent increase to 33 cents
- International Letters (1oz) 25 cents increase to \$1.10

## What is the average percent change for each product within First-Class Mail?

| Product                      | Percent Change |
|------------------------------|----------------|
| Single-Piece Letters & Cards | 2.283          |
| Presort Letters & Cards      | 2.555          |
| Flats                        | 2.675          |
| Parcels                      | 4.971          |
| International                | 7.923          |
| Overall                      | 2.570          |

#### How do the price adjustments affect business mailers?

As is the case with the current prices, when the new prices go into effect Jan. 27, First-Class Mail Presort mailers will not have to pay for the second ounce for presorted letters weighing between 1 and 2 ounces. This gives companies expanded opportunities to advertise new services and products to their customers as part of billing and statement mailings.

#### **Standard Mail**

## What is new in Standard Mail this price change?

- For the January 2013 price change, the Postal Service is proposing the introduction of a new High Density Plus price tier that creates carrier route pricing between High Density and Saturation. The goal of this initiative is to create an incentive for High Density customers to increase their mail volumes.
- In addition, the Postal Service is proposing the introduction of simplified preparation and pricing for a new product samples initiative called Simple Samples.
- There is no charge for Repositionable notes.

#### Why are Carrier Route flats prices on average higher than the average price of Standard Mail?

• The Postal Service increased regular flats by 2.57-percent in light of what the PRC has said in the past in its Annual Compliance Determination.

- The gap between 5-Digit Automation Flats and Carrier Route Flats has increased to 8.3 cents this price change is due to the variety of constraints. While this is not a strategic move for the Postal Service, the gap did increase from 8.3 cents, where it has been for the last two price changes. In order to prevent this gap from growing further, Carrier Route flats prices will increase at a faster rate than 5-Digit Automation flats prices, hence the higher than average percent increase for Carrier Route flats.
- Carrier Route flats prices are underpriced and needed to be increased, regardless of how the Postal Service is pricing regular flats.

#### What is the percent change for each product in Standard Mail?

| Product                                     | Percent Change |
|---|----------------|
| Letters                                     | 2.722          |
| Flats                                       | 2.570          |
| Parcels                                     | 3.439          |
| High Density / Saturation Letters           | 2.207          |
| High Density / Saturation Flats and Parcels | 2.275          |
| Carrier Route                               | 3.133          |
| Overall                                     | 2.570          |

#### Periodicals (newspapers & magazines)

#### What is the percent change for Periodicals?

| Product        | Percent Change |
|----------------|----------------|
| Outside County | 2.567          |
| Within County  | 2.570          |
| Overall        | 2.570          |

## **Package Services**

## What is the percent change for Package Services products?

| Product                                  | Percent Change |
|--|----------------|
| Single Piece Standard Post (Parcel Post) | 0.000          |
| BPM Flats                                | 0.001          |
| BPM Parcels                              | 3.424          |
| Media Mail and Library Mail              | 3.469          |
| Inbound Surface Parcel Post              | 3.004          |
| Overall                                  | 2.568          |

#### What is included under Extra Services?

Extra Services, also known as Special Services, includes Ancillary Services, International Ancillary Services, Address Management Services, Caller Service, Change-of-Address Credit Card Authentication, Confirm, International Business Reply Mail Service, Money Orders, PO Box Service, Stamp Fulfillment Services and Customized Postage.

## If the CPI price cap is 2.570 percent for this price change, how can the Extra Services prices increase by 2.850 percent?

When the prices are raised by less than the full CPI price cap amount, the remainder can be used in future years. This year, the Postal Service is using some of this remainder to increase the prices for Extra Services above the price cap.

#### How is the price for Stamped Envelopes and cards changing?

The price of a single sale envelope is going up 1 cent. The price for a stamped card is increasing by a penny to 4 cents plus postage.

Where can I find more information about the new prices?

http://pe.usps.com