



POSTAL RATE COMMISSION

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The independent Postal Rate Commission today denied a Postal Service request to further increase postage rates to raise \$1 billion a year above the levels set on January 7, 2001. The Commission rejected most of the Service's request, recommending only increases in the rates for Certified mail and for certain books and catalogs. These increases would provide \$83 million of additional revenue.

The Postal Service Governors had asked the federal rate commission to reconsider parts of its November decision that recommended the 34-cent stamp. In particular, the Postal Service asked the Commission to reevaluate its November finding that a \$1 billion annual allowance for unforeseeable contingencies was appropriate. The Postal Service argued that its original request for a \$1.7 billion contingency allowance should have been approved.

The initial Commission decision found there was insufficient evidence to justify such a large contingency. The 34-cent rate decision incorporated updated postal costs, including recent increases in wage and benefit expenses and this summer's increases in transportation and fuel costs. The Commission also included the latest CPI results that will increase postal wage levels in 2001. The Commission found that these adjustments further reduced the justification for a larger contingency fund.

The Postal Service provided no new evidence to alter the Commission's original findings.

The Commission acknowledged three errors in areas that the Postal Service asked it to review. A miscalculation in rates for bound printed matter (books and catalogs) was corrected, and two adjustments to projections of 2001 costs led to the recommendation of a 20-cent increase in the rate for Certified mail, bringing the recommended fee for that service to \$2.10.

The unanimous Commission found that using the record evidence presented in the case, which was updated by the Service in July and August, the requested contingency amount could not be justified. The Commission stated that it stands ready to consider on an expedited basis any additional evidence that the Postal Service might want to submit to support increased funding.