



January 17, 2016 USPS Price Increase - See How It Will Impact Your Budget

Let me break down the good and bad news with this rate increase. On the positive side, it is not impacting letters and flats and for now those rates are staying at current levels. Customers whose main interaction with the USPS® is around mailing documents can rest easy. On the flip side, shipping services will increase an average of 9.5% with some weight and zones going up by over 50%! This is going to have a big impact on shippers who rely on the USPS. What is also interesting is back on May 31, 2015, the USPS actually had a reduction in rates for specific Priority Mail® weights and zones.

Postal rates are supposed to be tied to the Consumer Price Index, which today is running in the 0-2% range. The difference is this rule does not impact what the USPS considers “Competitive” shipping services where they have more flexibility to increase rates.

Here are the reasons that we believe the USPS is increasing shipping rates this dramatically.

1. For lightweight packages going to consumers (vs. businesses) the USPS has significantly lower rates than the private carriers. Even high volume shippers with exceptional negotiated rates with the private carriers will have a difficult time beating the Post Office when you factor in fuel and accessorial charges.
2. In a recent filing to the Postal Regulatory Commission, UPS® made a complaint that the USPS was undergoing anticompetitive policies and claimed: “In turn, the larger market share enables the utility to better leverage economies of scale and scope, increasing its scale and further harming its now handicapped rivals,”
3. The private carriers typically increase rates at around 5% per year.
4. This is their fastest growing segment and they need it to cover volume declines in other areas.

For the past 17 years, I have been creating comparison charts for my clients that go over the changes in rates to show how it will affect budgets. The reason that I do this is that when the USPS talks about a 9.5% increase, this is overall. Based on the type of mail you do, the increase could be higher or lower. You need to look at the class, weight, zone, density and special services required to see the true impact. Also, when you look at the new rate charts provided by the USPS, they typically will not show the level of detail needed (Previous and new rates, side by side) to see these differences.

The remainder of this article will look at the main classes of mail and will break down the specific increases. Hopefully this will help you budget by seeing how it will impact the most common services that you use today.





Priority Mail®

USPS Priority Mail®									
Weight LB's	Retail			Commercial Base			Commercial Plus		
	Prior to Jan 17, 2016	January 17, 2016	% Change	Prior to Jan 17, 2016	January 17, 2016	% Change	Prior to Jan 17, 2016	January 17, 2016	% Change
1	\$5.75-7.15	\$6.45-7.85	10-15%	\$5.05-6.51	\$5.75-7.16	10-14%	\$4.95-6.25	\$5.60-6.95	8-13%
5	\$8.95-21.55	\$9.85-23.15	5-10%	\$6.78-18.87	\$7.39-19.81	0-9%	\$5.35-18.30	\$7.17-19.22	3-38%
10	\$12.15-37.10	\$12.65-38.60	4%	\$8.28-32.95	\$8.69-34.60	0-7%	\$5.60-31.73	\$8.43-33.56	4-51%
25	\$22.2-67.7	\$22.55-70.4	0-4%	\$17.76-58.64	\$17.76-61.57	0-5%	\$11.16-47.54	\$17.23-86.74	18-59%
50	\$31.3-105.50	\$32.55-109.7	4%	\$25.96-91.34	\$25.96-95.91	0-5%	\$24.96-90.52	\$25.18-93.03	1-20%
Flat Rate Envelopes	\$5.75	\$6.45	12%	\$5.05	\$5.75	14%	\$4.95	\$5.60	13%
Small Flat Rate Box	\$5.95	\$6.80	14%	\$5.25	\$6.10	16%	\$5.20	\$5.90	13%
Medium Flat Rate Boxes	\$12.65	\$13.45	6%	\$11.30	\$11.95	6%	\$10.65	\$11.60	9%
Large Flat Rate Boxes	\$17.90	\$18.75	5%	\$15.80	\$16.35	3%	\$14.80	\$15.85	7%

Priority Mail® is the most popular package service for the USPS which covers items weighing 13 ounces to 70LB's and delivers in 1-3 days throughout the US. The rates are based on the weight and 8 primary zones which are determined by the distance you are shipping the item. They also have three different rate categories based on the type of customer.

- **Retail** – Rates that you get at the counter at the Post Office or through a Postage Meter.
- **Commercial Base** – Customers that use an approved PC Postage solution get significant discounts over Retail rates as an incentive to streamline the way packages are labeled, barcoded and data is transmitted.
- **Commercial Plus** – Customers that ship over 50,000 items per year can get additional discounts with an agreement with the USPS.

Highlights

- When you study the rate table, you can clearly see what the USPS is doing with this increase. They are changing rates the most in the less than 5 LB segment which is where they have dominance. What is also interesting is that the highest increase is in zones 1-4 vs. the farther away zone 5-8.
- Many heavier packages are seeing flat to minimal increases.
- Commercial Plus customers are seeing the largest increase at up to 59% based on weight and zone. Also, there is no longer a .5LB rate.
- Small Flat Rate Envelopes and Boxes are increasing at 12-16% vs the Medium and Large Boxes at 3-9%. This all flows with the USPS impacting rates for the lightest items.
- Sorry if you are mailing to Guam – In the charts above we are only comparing zone 1-8. Zone 9 which is for Guam is increasing 20-50%.
- USPS.com Click-N- Ship® will no longer be offering Commercial Base rates but will default to Retail. Mailers will need to find an approved PC postage provider to maintain their Commercial Base rates.





First-Class Mail® Parcels

USPS First-Class Mail® Parcel and Package Rates									
Weight Ounces	Retail			Commercial Base			Commercial Plus		
	Prior to Jan 17, 2016	January 17, 2016	% Change	Prior to Jan 17, 2016	January 17, 2016	% Change	Prior to Jan 17, 2016	January 17, 2016	% Change
3	\$2.54	\$2.54	0%	\$1.54-2.04	\$2.60	27-69%	N/A	N/A	
6	\$3.14	\$3.14	0%	\$1.85-2.35	\$2.60	11-41%	\$3.37-4.05	N/A	
10	\$3.94	\$3.94	0%	\$2.57-3.07	\$3.35	9-30%	\$3.37-4.05	N/A	
13	\$4.54	\$4.54	0%	\$3.11-3.63	\$3.50	(-4-13%)	\$3.37-4.05	N/A	
15.999	N/A	N/A	0%	N/A	\$3.65	New	\$3.37-4.05	N/A	

In the less than 1LB market the USPS has a complete monopoly and you can see that they are rethinking why they are providing some of the discounted services in this segment. The private carrier rates all start at 1 LB where the USPS goes to the ounce. Think about the companies sending light parts that can be sent for around \$3 with the USPS vs. the private carriers that could be 2-3 times that amount. Here are the big changes with First-Class Mail Parcels and Packages.

- Retail rates remain unchanged.
- Commercial Base items will see rates increase up to 69%. This is occurring in the following ways:
 - Elimination of any presort discounts (5 Digit, 3 Digit and ADC (area distribution center) Rates are no longer available). These presort rates had offered shippers 7-25% additional discounts.
 - Slight price reductions for 13 ounce single piece items.
 - New rates now go up to 15.999 ounces when they used to only go up to 13. This could be a big win in this segment for clients forced to use Priority Mail rates for 13-16 ounce packages.
- Elimination of Commercial Plus Rates – This does not seem like a big issue now that Base rates can go up to 15.999 ounces.

Additional Rate Change Items

We have focused on Priority and First Class because these categories are used by the majority of package shippers. We wanted to highlight some other changes that could also impact your budget.

- Priority Mail Express Rates are increasing an average of 15.6% and they are eliminating their flat rate boxes.
- Parcel Select Ground, which is being renamed Parcel Select Nonpresort, is increasing an average of 3.1%.
- International Mail rates are increasing.
 - Priority Mail International – 10.2%
 - Priority Mail Express International – 11.6%





- First Class International Package – 21.6%

Conclusion

To budget for this increase, you need to look at the type of items you are sending and the weight and zones that are most common to truly estimate the impact. Even with the increases, the USPS is still the best choice for lightweight packages going to residences. With the huge increase in online purchasing that we all do every day, this is a great position for the USPS to be in and will help them fund the future declines in other areas.

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