

April 10, 2016 USPS Rate Decrease – See How Much Money You Can Save!

By Adam Lewenberg

For the past 18 years, I have been creating comparison charts for my clients that go over the changes in postage rates to show how it will affect their budgets. The reason that I do this is that when the USPS® talks about a % increase, this is overall. Based on the type of mail you do, the increase could be higher or lower. ***The weird part about this rate change is that for the first time in almost a century, the prices are going down. Customers will actually save an average of 4.1%!***

It may sound too good to be true, but absent of Congressional, presidential or court actions, the rates are slotted to go down on April 10, 2016. It has been difficult to get congress to agree on the changing the name of a Post Office, let alone a major rate decrease that can only benefit their constituents and with it being an election year, we do not expect any setbacks to this change. The other issue is timing. As I am writing this article there is only one month until the rate change. Things would need to move very quickly to stop this change especially since the mailing vendors have already started to implement the rates to make sure their systems are compliant.

The next thing you may be asking is why is this happening? Postal rates are supposed to be tied to the Consumer Price Index which today is running in the 0-2% range. The USPS needs their rates to be in line with this index except in the following circumstances:

1. **Unused Rate Adjustment** – They did not adjust past rates to the full levels allowed.
2. **Exigent Circumstances** - They have drastic conditions that require them to raise rates to higher levels.

In January 2014, the USPS approved a 4.3% exigent surcharge increase because of their dire financial situation, mainly due to the recession and declining First-Class mail volumes. An order from the Postal Regulatory Commission (PRC) requires this 4.3 percent exigent surcharge to be reversed after the Postal Service has collected additional funds totaling \$4.6 billion. They are expected to hit this threshold by April 10, 2016.

The remainder of this article will look at the main classes of mail and will break down the specific savings. Hopefully this will help you budget for these changes by seeing how it will impact your mail. It is impossible to compare every rate but these are the most common classes used by business mailers throughout the United States. I hope this type of comparison is helpful and we will continue to post upcoming rate changes on our website at www.postaladvocate.com/blog.

First-Class Mail®

Retail

Savings – 2.9-4.4%

First-Class Mail® Retail									
	Letters			Flats			Parcels		
Weight Ounces	Prior to 4/10/16	New Rates 4/10/16	% Increase	Prior to 4/10/16	New Rates 4/10/16	% Increase	Prior to 4/10/16	New Rates 4/10/16	% Increase
1	\$0.49	\$0.47	-4.1%	\$0.98	\$0.94	-4.1%	\$2.54	\$2.45	-3.5%
2	\$0.71	\$0.68	-4.2%	\$1.20	\$1.15	-4.2%	\$2.54	\$2.45	-3.5%
3	\$0.93	\$0.89	-4.3%	\$1.42	\$1.36	-4.2%	\$2.54	\$2.45	-3.5%
6	N/A	N/A		\$2.08	\$1.99	-4.3%	\$3.14	\$3.02	-3.8%
13	N/A	N/A		\$3.62	\$3.46	-4.4%	\$4.54	\$4.35	-4.2%
Post Card	\$0.35	\$0.34	-2.9%						

Metered Letters			
	Letters		
Weight Ounces	Prior to 4/10/16	New Rates 4/10/16	% Increase
1	\$0.485	\$0.465	-4.1%
2	\$0.705	\$0.675	-4.3%
3	\$0.925	\$0.885	-4.3%

The price of a First-Class Mail® stamp goes down by \$.02 for letters, \$.04 for flats and \$.09 for Parcels. Also, the additional ounce rate goes down from \$.22 to \$.21. This means that the savings stay around 4% for every weight break.

The only groups that may be upset with this rate change are those that have large amounts of Forever Stamps that were bought at the higher prices. This is one of the few times in history that rates are going down and you will have paid more for the stamps than what they will be worth in April.

Commercial

Savings – 3.8—6.8%

Commercial First-Class Mail®										
		Letters			Flats*			Post Cards		
	Weight Ounces	Prior to 4/10/16	New Rates 4/10/16	% Increase	Prior to 4/10/16	New Rates 4/10/16	% Increase	Prior to 4/10/16	New Rates 4/10/16	% Increase
Automation 5 Digit	1	\$0.391	\$0.376	-3.8%	\$0.470	\$0.438	-6.8%	\$0.260	\$0.250	-3.8%
Automation 3 Digit	1	\$0.416	\$0.399	-4.1%	\$0.662	\$0.630	-4.8%	\$0.275	\$0.263	-4.4%
Automation AADC	1	\$0.416	\$0.399	-4.1%	\$0.702	\$0.670	-4.6%	\$0.275	\$0.263	-4.4%
Automation Mixed AADC	1	\$0.439	\$0.419	-4.6%	\$0.782	\$0.750	-4.1%	\$0.284	\$0.272	-4.2%
Presorted (Non Automation)	1	\$0.471	\$0.452	-4.0%	\$0.831	\$0.798	-4.0%	\$0.295	\$0.283	-4.1%

Again, regardless of the type of mail or the sort levels, the savings average over 4%. Automation 5 digit flats see an extra savings to 6.8%.

If you are a medium volume mailer using a presort provider where you were metering at \$.471 (vs. the metered rate of \$.485) you were saving \$.014 per piece. With the new rate change, this difference is going down to \$.013 per piece (\$.465-.452). You may want to analyze if using the presort service still makes sense. Some of these services make you date your mail for the next day or pay pickup fees. At one point the spread in rates was almost \$.03, but now at \$.013 you may want to validate that your volumes and savings justify using the service.

Standard Mail®

Savings – 2.4-6.1%

Standard Mail®							
		Letters			Flats		
	Weight Ounces	Prior to 4/10/16	New Rates 4/10/16	% Increase	Prior to 4/10/16	New Rates 4/10/16	% Increase
Automation 5 Digit	≤3.3	\$0.266	\$0.255	-4.1%	\$0.392	\$0.376	-4.1%
Automation 3 Digit	≤3.3	\$0.283	\$0.274	-3.2%	\$0.479	\$0.467	-2.5%
Automation AADC/ADC	≤3.3	\$0.283	\$0.274	-3.2%	\$0.536	\$0.522	-2.6%
Automation Mixed AADC/ADC-Origin	≤3.3	\$0.304	\$0.291	-4.3%	\$0.569	\$0.539	-5.3%
Standard Mail® Nonprofit							
		Letters			Flats		
	Weight Ounces	Prior to 4/10/16	New Rates 4/10/16	% Increase	Prior to 4/10/16	New Rates 4/10/16	% Increase
Automation 5 Digit	≤3.3	\$0.147	\$0.140	-4.8%	\$0.249	\$0.237	-4.8%
Automation 3 Digit	≤3.3	\$0.164	\$0.159	-3.0%	\$0.336	\$0.328	-2.4%
Automation AADC/ADC	≤3.3	\$0.164	\$0.159	-3.0%	\$0.393	\$0.383	-2.5%
Automation Mixed AADC/ADC-Origin	≤3.3	\$0.185	\$0.176	-4.9%	\$0.426	\$0.400	-6.1%

The big strategy with Standard Mail is can you use this savings to send out higher volumes that can bring in more customers and sales. If you can now increase your mail volumes by 4% for the same postage costs, how would that impact your bottom line?

Special Services

Savings – 0-4.1%

Special Services	Retail			Electronic		
	Prior to 4/10/16	New Rates 4/10/16	% Increase	Prior to 4/10/16	New Rates 4/10/16	% Increase
Certificate of Mailing	\$1.35	\$1.30	-3.7%			
Registered™ without Insurance	\$12.20	\$11.70	-4.1%			
Certified Mail™	\$3.45	\$3.30	-4.3%			
Return Receipt	\$2.80	\$2.70	-3.6%	\$1.40	\$1.35	-3.6%
USPS Tracking						
First-Class™ Package Svcs parcels	\$0.00	\$0.00	0.0%	\$0.00	\$0.00	0%
Standard Mail® parcels				\$0.36	\$0.35	-2.8%
Priority Mail®	\$0.00	\$0.00	0.0%	\$0.00	\$0.00	0%
Signature Confirmation	\$3.00	\$2.90	-3.3%	\$2.45	\$2.35	-4.1%

One item that I wanted to specifically point out is the cost of sending Certified Mail with Return Receipt. The price will now be \$6.47(Compared to \$6.74) for a one ounce letter. At that price, it still may be a good idea to check your 2-3 day rates with your private carriers to see if they are less money. Also, consider switching to the Electronic Return Receipt which saves \$1.35 each.

Conclusion

It is amazing that after 97 years the USPS is having a price decrease. Our opinion is that it would have been better to keep rates flat and to have the USPS get onto a firmer financial footing. The program is a win if mailers use these discounts to generate more volume, but that is not expected and it is this continual decline in volume that got the USPS into their current financial troubles. Regardless, it is a win for the millions of mailers who for one time in a century will get a 4% savings.

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