



5209 N. 30th Street • Arlington, VA 22207 • 703-867-7002 • katemuth@comcast.net

January 6, 2021

Ms. Sharon Owens
Vice President, Pricing
U.S. Postal Service
475 L'Enfant Ave., SW
Washington, DC 20590
Via email

Dear Sharon:

As we start the New Year and strategize for 2021, I wanted to raise with you a pricing idea that some of our consolidator members have requested. As you know, most of IMAG's members use the Postal Service's outbound commercial products, such as IPA, ISAL, Commercial ePacket and PMI, to serve the shared customer. They take advantage of worksharing to help bulk mailers and shippers move letters, packets, and parcels around the world. By our estimates, IMAG members represent about \$1 billion in annual postage and shipping spend.

While ecommerce has propelled growth in packets and parcels – and thus has been the focus of much recent attention – letters remain an important part of consolidators' businesses. To that end, we request the Postal Service consider raising the price of the full rate First-Class Mail International Service so it is modestly higher than the workshare rates in the next general rate increase. Yes, we are requesting that the FCMI stamp price go up. Allow me to explain why.

Postal qualified wholesalers (PQW) add value by providing the Postal Service a finished product delivered to the USPS's international gateways at a lower cost because they eliminate USPS handling and transportation. In addition, PQWs take on the customer service duties for that mail. If a PQW is not performing this value-added service by entering IPA Letters at an ISC, as an example, the mail would either be given to USPS as unsorted, non-prepared mail or it could be sent via a foreign post, which often means two trips across the Atlantic.

By increasing full-rate FCMI from the current \$1.20, USPS would provide a better margin for PQWs on workshared mail and increase their opportunity to sell postal products. In addition, the Postal Service would raise additional revenue by increasing the retail rate.

Canada is a good example. It is the only destination to which the 1- and 2-ounce rates are the same at \$1.20 per piece. Since the commercial rates that PQWs pay are based on a piece and a pound charge, their costs per piece go up as the item increases in weight. But the published rate the PQWs have to stay below remains the same up to 2 ounces. By the time a PQW transports from the client to its location, processes the mail, and then delivers it the USPS, it makes no economic sense to handle it. This makes it very difficult to sell letter services to Canada.

We would like to stress, however, that we are hopeful the next general price increase is the annual increase in January 2022. A mid-year price increase is highly disruptive to businesses and to the shared customer, and it is difficult to explain why prices are increasing mid-cycle, especially when service has suffered due to lockdowns, reduced airlift, and workforce challenges. Finally, price increases clearly impact volumes in the competitive international market, as the July 2020 increases due to the Universal Postal Union changes indicate.

Thank you for your time and attention. I would be happy to set up a time to discuss further or set up a call with a few members who could explain the idea in detail or answer any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Kate Muth". The signature is fluid and cursive, with a long, sweeping tail on the final letter.

Kate Muth
Executive Director
International Mailers' Advisory Group

cc: IMAG Board of Directors
Steve Phelps
Nan McKenzie
Robert Raines