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John A. Greco, Jr.  
President & CEO

March 10, 2009

The Honorable Carolyn L. Gallagher  
Chairman  
Board of Governors  
Unites States Postal Service  
475 L'Enfant Plaza, SW, Room 10300  
Washington, DC 20260

Dear Chairman Gallagher:

On behalf of the Direct Marketing Association and its 3,400 members, I urge the Governors to defer the recently announced price adjustments scheduled for May 11, 2009, until at least the end of the current Postal Fiscal Year. In fact, the Postal Service could use its authority to bank the CPI index and forestall the rate change for a full calendar year. We are mindful of the Postal Service's financial situation and the Board's fiduciary responsibility to the institution and its stakeholders. Nevertheless, we believe that a deferral, coming two thirds of the way into Postal Fiscal Year 2009 and on the cusp of what has traditionally been the slow season for mail, would do much to improve the long-term prospects of the Postal Service and the mailing community at a relatively modest short-term cost to the Postal Service.

Last December we wrote to the Board asking the Postal Service to avoid imposing price increases during 2009 that deviated substantially from the CPI cap and would render impossible sustaining then-current mail volumes. Unfortunately, given the current economic climate, this act of moderation, if followed, will not be sufficient to stop the accelerating loss of mail volume going forward. For those products and services whose announced rate increases are above the CPI index, the volume losses will be much deeper and will occur much more rapidly. For many mailers, the hope of worksharing to the last mile has been penalized. Mailers who have taken steps to commingle their mailings—by shifting delivery times, etc.—now face above average increases. And for some, the ability to workshare to the last mile is not permitted—as they face double digit increases. Why not allow that worksharing for both machinable and nonmachinable mail? Such worksharing efforts could reduce costs and rates as well as increase mail volume. In these difficult times, the Postal Service should not cavalierly signal mailers that their mail is no longer wanted.

The long-held view is that mail volume is inelastic relative to price—mail volume always has and will once again bounce back. However, it should now be clear—abundantly clear—that the retrospective nature underlying this concept is not valid given the current state of the economy. Moreover, there is even evidence that Service-initiated changes such as the shift to shape-based rates, which preceded the economic downturn, can wreak havoc with volume projections and those in the business mailing community on whom the viability of the Service depends.

The price adjustments scheduled for May will drive already hard pressed mailers out-of-the-mail. Once a mailer is lost that mailer's volume is lost—forever!

We firmly believe that if the Governors are to fulfill their fiduciary responsibility in a manner that will ensure the long-term viability of the U.S. Postal Service and all who rely on this national treasure, they must give serious consideration to deferring the price increases scheduled for May.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Joseph A. ...". The signature is written in a cursive style with a large, looping initial "J".