



## Federal Eye

Keeping Tabs on the Government  
by Ed O'Keefe

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### Postal rate hike request denied

Updated 1:40 p.m. ET

Postal regulators Thursday denied requests by the [U.S. Postal Service](#) to raise postage rates in January beyond the rate of inflation, ruling that the mail agency's recent financial woes were caused by a flawed business model and not the recent recession.

The decision means stamp prices and other postage rates will not go up in January -- at least not yet -- as the Postal Service had hoped.

In July it [requested the right to raise postage rates](#) on first-class mail, periodicals and other services beyond the rate of inflation. A 2006 law allows USPS to file an exigent -- urgently necessary -- case to raise prices beyond the rate of inflation if it can prove that "exceptional or extraordinary circumstances" warranted the increase.

Though the recession and recent mail volume declines qualify as "exceptional or extraordinary circumstances" that could justify a price hike, the Postal Service's long-term structural problems are causing recent budget shortfalls, the [Postal Regulatory Commission](#) said in the first [ruling](#) of its kind.

The Postal Service could however file another exigent rate case using different arguments, regulators said.

"The Postal Service didn't make the case, didn't make the connection between the problems they suffered during the recession and the revenue they were requesting," PRC Chairwoman **Ruth Y. Goldway** said in an interview. The request seemed more part of the Postal Service's 10-year business plan instead of an emergency request, she said.

Thursday's ruling comes one day before USPS is set to announce billions of dollars in losses in fiscal 2010 amid declining mail volume. Postmaster General **John E. Potter** expressed disappointment with the ruling and did not indicate whether he would appeal the decision to a federal appeals court.

● [Cato Institute: Postal Bankruptcy featuring Doug Bandow](#)

"Clearly, the Postal Service is a viable business," but legislative constraints on the mail agency are hampering its ability to operate efficiently and profitably, Potter said. The Postal Service will end fiscal year 2010 with about \$2 billion in cash and available credit and will make a \$5.5 billion payment to pre-fund retiree health benefits even though Congress [declined a request](#) to defer the payment, he said.

Potter is lobbying lawmakers for the flexibility to close unprofitable post offices, set delivery routes and pricing without seeking Congressional approval. Senate Democrats last week [unveiled a bill supported by Potter](#) that may come up for consideration during the lame-duck

session, aides said. But Republicans oppose most of the proposals and are soon expected to introduce competing legislation.

Business leaders cheered Thursday's ruling. **Tony Conway**, spokesman for the Affordable Mail Alliance, a coalition of major mail customers, said the decision "has helped countless businesses stay competitive and saved tens of thousands of jobs."

"The commissioners recognized that imposing an additional tax on Postal Service customers is not the way to address its financial troubles," Conway said.

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