



AMERICAN CATALOG
MAILERS ASSOCIATION

Your Catalog Advocate!

October 18, 2011

Washington Bulletin:
New Rates Announced & Your Actions Required
An Update for ACMA Members and Non-Members

Dear Catalog Industry Executive:

Today, the US Postal Service filed rate increases with its regulator. As we have been forecasting to members for some months now, catalog rate increases averaged 2.4% on an industry-weighted average. The new rates are scheduled to take effect on January 22, 2012 at 12:01am.

Key Rate Increases by Catalog Mailing Product.

Rate increases for the assorted mail categories used by catalogers range from 0.54% for Bound Printed Matter up to 2.878 for High Density Flats.

The averages by product type are listed below, but note that averages can be misleading and it is necessary to examine your individual rate cells as your actual increase can vary from the average significantly.

Standard Mail Flats	2.209%
Carrier Route Flats	2.426%
High Density Flats	2.878%
Standard Mail Parcels	2.864%
Bound Printed Matter Flats	0.504%
Bound Printed Matter Parcels	1.886%

Standard Mail letters fared better, getting an average increase of 1.867%. Unlike past years, the 2012 rate change will be in January, not May.

ACMA's Take

Some surprises, but USPS remains concerned about health of catalog industry.

Overall, we were surprised that SM flats received an increase on the low end of the spectrum while High Density flats received an increase at the high end. This is the reverse of what we would have forecasted. As in prior communications to its regulator, the US Postal Service said the following in its 193-page filing:

The Postal Service remains concerned about the financial health and long-term viability of the catalog industry, a major user of the Flats product, and so the Postal Service has used its pricing flexibility to keep Flats price increases moderate. ...This approach reflects ongoing concern that the condition of the catalog industry and the economy generally suggest that substantially larger than average Flats price increases may result in volume declines that may undermine the viability of this product.

While we are appreciative that the significant financial turmoil of the catalog sector is recognized, we would have preferred to see the range flipped given the more significant role of Carrier Route for catalogs today. ACMA estimates are that only a quarter to a third of books are mailed in SM flat with two thirds or more being entered as Carrier Route (see the ACMA survey project below that will give us precise data on this mix).

In its filing, the US Postal Service goes on to note this:

In addition, potential operational changes, including network optimization, could substantially reduce operating expenditures. Thus, a balanced approach of moderate price increases in conjunction with cost saving will, over time, begin to address the cost challenges faced by this product.

This is welcome news in any case. As the Postmaster General has remarked to me and others “once we get some \$20 billion of costs out of the system, there won’t be any underwater products.” Cost reduction must be the centerpiece of any postal reform to our way of thinking, and Congress needs to hear this message from *you!*

Lots At Stake

There is an enormous amount of activity in the Capitol on postal affairs right now as Congress grapples with how to solve the persistent red ink at the USPS. We won’t take the time to summarize all of the moving pieces. Suffice to say that current and expected proposals run the gamut from reducing costs to increasing rates to expecting new products will stem the tide of persistent losses.

What Should You Be Doing?

Far more is at stake. Issues being contemplated in Washington could lead to increases much greater than 2+% higher rates. Time for catalogers to step up is now.

If you are not now paying attention to what is happening, then you probably do not plan to use mail as an essential channel for your marketing communications. Now is an absolutely critical time. Your participation is required. Without mailer engagement in the process, the outcome can be assuredly not what you will want it to be. While there are no guarantees that we can affect the outcome to suit

catalogers, it is virtually assured that our lack of participation will translate into higher rates for all catalogs going forward.

Have You Taken ACMA's Groundbreaking Survey Yet?

Load our gun to help you – we must get your input to collect definitive data on the industry.

You should have received communications from us asking you to participate in the ACMA Survey Project recently launched. To date, we have about 30 titles across the industry from an estimated 12,000 possible respondents. *Two-tenths of one percent* response rate won't be compelling to policy makers. We need your help.

So catalogers, please make the commitment to download the survey today and contact us if you have any questions. Not a week goes by that I do not get asked about when the results will be available to policymakers. Virtually no data exists on the mailing behavior of catalogers. You can change this. [Please take action on the survey today.](#)

Get Connected to Congress

Congress knows so much less about catalogs & the USPS than you could ever imagine.

If you are in a strategic district, you have already heard from us in the past few weeks. Catalog CEOs must engage with their elected officials and make sure Congress knows that hardwiring future rate increases into legislation is a sure way to depress employment in a segment that generates an estimated \$150 billion in economic activity and directly and indirectly employs millions of Americans. We will help you get connected and express your needs. It is easy and does not take much time but we need your participation to insure a favorable outcome.

Follow Articles in the Popular Press on Catalogs

Is the (consumer) media making catalogs a scapegoat for the USPS's woes?

We are noticing an increase in the number of media pieces covering the huge losses at the US Postal Service and some of these pieces are erroneously blaming catalogs for the Postal Service losses. ACMA has and will respond to set the record right when we become aware of negative press on catalogs but we need your help. Especially with local home-town papers, we may not see every piece.

Please forward any press covering catalogs to Paul Miller, ACMA's Vice President and Deputy Director, at pmiller@catalogmailers.org so we can continue to make sure the reporting is balanced and fair.

Contribute to our Action Funds

Industrywide blitz in Washington is vital to your future. Action takes resources - please do your part.

Postal is not the only area of concern to catalog interests. Developments in privacy and tax are equally daunting. Sadly, with only 2% of the industry participating, despite our steady growth of new members, ACMA lacks the resources required to be as effective as we can be. Please join us or at least help resource our work. Look for the announcement of our Action Funds on our website shortly. Please fund our vital work in areas you care about. Every dollar is a vote. Put your money behind those issues you care about. Vote early and vote often!

Don't Panic

Despite the widespread gloom and doom over the USPS's financial woes, we do not believe there is any likely scenario of a collapse of mail delivery or work stoppage action that would delay mail.

Such a collapse is not in anyone's interest. Serious disruptions would only further injure the long-term prospects for mail. Despite their consternation about various proposals being considered to restructure the USPS, unions realize this is not the time to further erode confidence in the mail. To get Congress to act, various parties are turning up the pressure that the current trajectory is unsustainable.

Don't be drawn into believing this is the end of mail. Pay attention and participate in the dialog but avoid letting sensational reports lead you to conclude there is not a future in the mail. Mail still works and will be with us for the foreseeable future, especially if the USPS is finally allowed to restructure its costs.

Your Future

ACMA continues to grow, but needs to get far bigger to make the right impact.

ACMA is your association, owned, controlled and only for the benefit of catalog marketers and their suppliers. There is strength in numbers. We need a little time and money from all catalog interests so we can continue our track record of protecting your bottom line. Our reality is that today we cannot properly address the challenges we face due to a lack of resources. Please change that. Make your commitment to your future today.

Sincerely,

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About the American Catalog Mailers Association:

ACMA is a Washington-based not-for-profit organization specifically created to advocate

for the unique collective interests of catalog mailers in regulatory, public and administrative matters where the shared impact transcends individual company interests. ACMA participates in rulemaking and other proceedings of significance where a single collective voice increases influence and effectiveness. Membership is open to any party with significant interests in the catalog industry. More information can be found at www.catalogmailers.org.

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