

Software & Information Industry Association

Effects of “Underwater” Rate Surcharges on Periodicals

The Software & Information Industry Association (SIIA) is a trade association representing media and information companies, including those that publish business to business industry magazines and newsletters. Its membership publishes more than 600 print periodical titles and mails approximately 800 million magazines and newsletters each year. In addition, SIIA members collectively spend an estimated \$260 million in postage each year. This represents approximately 12% of the volume and 15% of the revenue in the periodicals class within the US Postal Service.

Given recent pressure on so-called “underwater products” at USPS, SIIA polled its membership to determine the impact of additional rate increase on top of normal annual CPI increases.

- In our poll, 67% of respondents said they would reduce mailed periodicals by an average of 11% if postal rates increased by a total of 7.5% (estimated CPI and a 5% “Underwater” surcharge) next year.
- This means that instead of gaining revenues from an additional 5% increase on loss-making classes of mail, our survey indicates that USPS would actually lose 11% of mail volume and the associated revenue from that volume after only one year of such increases.
- For SIIA members alone, this represents \$17 million in lost postal revenue in just the first year.
- In addition, 28% of respondents indicated that they would eliminate some print magazines entirely if they received a 7.5% increase, and 96% of respondents said they would take other measures, like offering digital alternatives to current print titles, as a result of such increases.
- Respondents indicated that actions to decrease mailings would be permanent.

SIIA Position

- SIIA believes that current cost coverage calculations for periodicals are flawed due to the excess capacity expenses at USPS that are attributed to periodicals.
- SIIA believes that increasing periodical rates too fast and before true cost coverage ratios are determined will only decrease mail volume and overall periodical revenue to USPS.
- SIIA strongly supports the rate increase structure for loss-making classes of mail in the discussion draft for the 113th Congress Postal Reform Act. This common sense approach delays any increases for two years while a study is conducted to determine the impact of USPS excess capacity on the attributable costs of periodicals, and only then, with these excess costs taken into consideration, allows for sustainable 2% annual increases in addition to CPI if periodical cost coverage is still below 90% of attributable costs.