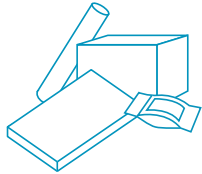




# How Postal Rates Are Set



UPS Mail Innovations®



You may not be aware of how the United States Postal Service® determines the varied and numerous postage rates. In truth, it's a complicated process that involves several decision-making bodies, which is why it may take over a year from the first announcement of the changes until the actual implementation.

First, the USPS® Board of Governors (BOG) has to determine that a rate increase is needed. The BOG then files a request with the independent Postal Rate Commission (PRC). The request is studied (which can take up to ten months) in a trial-like process in which any interested person can participate. Once the PRC has finished its study, it makes a recommended decision to the Board of Governors.

Once the Board of Governors has received the recommended decision, it can do one of three things:

- 1) Approve
- 2) Allow under protest
- 3) Reject this recommended decision

The Postmaster General (PMG) and the Deputy PMG are members of the Board but do not vote on the recommendation.

If the BOG approves the recommendation, it orders the rates placed into effect and establishes an implementation date.

If the BOG allows the recommended decision to take place under protest, they may return it to the PRC for reconsideration and a further recommendation, or pursue judicial review of the recommendation. If a further recommendation is received, the BOG may order the new rates to be placed into effect as recommended or may modify the request if it's determined that the recommended rates will not provide sufficient revenue to meet the operating costs of the USPS.

In December 2006, Congress passed "The Postal Accountability and Enhancement Act," which was signed into law. It will most likely modify this rate change process in the future to categorize new products and services as either "Market Dominant" or "Competitive."