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"The best way to predict the future is to invent it."

—Alan Kay

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Voodoo Economics and the U.S. Postal Service

Though Postmaster General John E. Potter has repeatedly insisted that his department will not hike postal rates until "well into 2004," the cold numbers show that the U.S.P.S. is in a deep—and deepening—financial hole that threatens to swallow up the country's mail system.

During the Postal Service's September-November 2001 fiscal quarter, mail volume plunged 5.5%. First-class mail dropped by 2.3% and Standard A mailings sagged by 9%.

Last year's World Trade Center atrocity and anthrax scare both contributed to this dramatic drop in mail traffic. However, the decline continued through the year that followed. Observer Gary H. Baer reported that in the February-May 2002 quarter, use of first-class mail fell by 1% and Standard A mailings by 3.5% from the same period a year earlier.

Jupiter Media Metrix foresees considerable growth in the number of households paying bills electronically, zooming from 7.8 million today to 44.5 million by 2006, resulting in a commensurate decline of U.S.P.S. income from stamp sales. Electronic bill payment continues to chew into first-class postage volume — the most profitable single category in the mail system.

In 2002, Baer estimates, about 17 million U.S. households will pay at least some of their bills online — up a whopping 41% from the 2001 mark, and this number is expected to do nothing but increase in the next few years.

Can the U.S.P.S. hold to its budget forecasts in light of such developments? Probably not, according to many observers. Prudent business managers would do well to set aside funds against the contingency of an increase before the Postmaster General's "well into 2004" target date for the next boost in postage rates.

Industry analysts recently reported that the Postal Service would be saddled with more than \$12 billion in debt by the end of the fiscal year — verging uncomfortably close to its statutory limit of \$15 billion. Time Inc.'s Jim O'Brien has predicted that taxpayers will be forced to pick up the tab if the U.S.P.S. debt load surges past that ceiling.

Mr. Potter's rosy forecast, in the face of today's economic doldrums, assumed a 2% increase in overall mail volume, a mark last set in the prosperous 1990s.

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