Pricing Update

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Future Price Change Timeline

□ Market Dominant products prices will **not** change in January 2022

□ Next Market Dominant products price change expected in July 2022

□ Starting in 2023 Market Dominant products prices expected to change in January and July each year

Competitive Product prices are changing for a limited time in October 2021 through December 2021

□ New Competitive Product prices will go into effect January 9, 2022

Forward Guidance

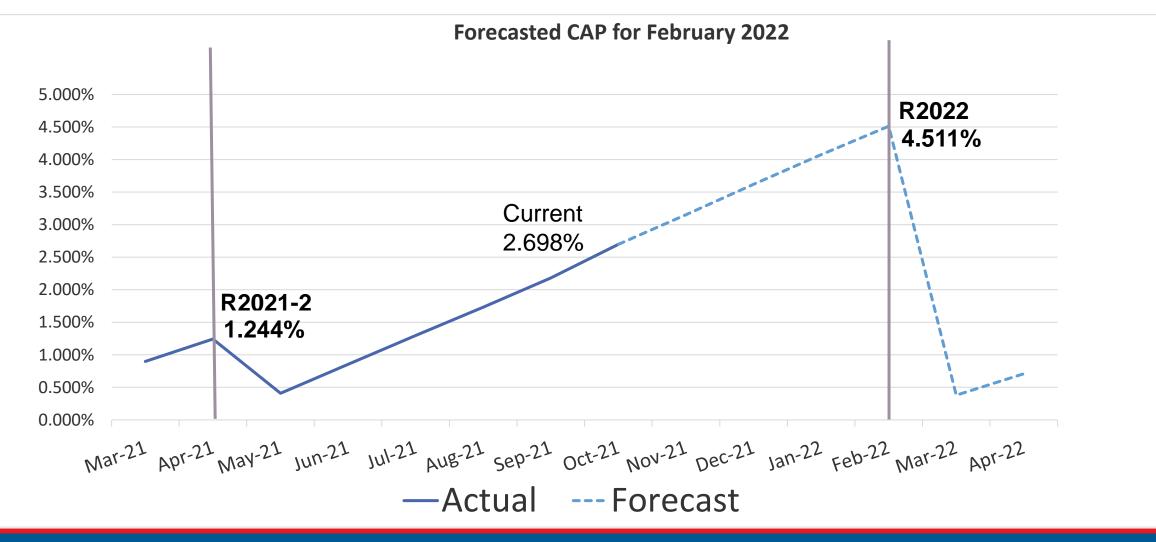
The Postal Service intends to be judicious in the use of available pricing authority, but anticipates the prospect that, given our current financial condition, the price change for each Market Dominant class may be required to apply most or all pricing authority. July 2022 rate authority will include ten months of CPI plus retirement, density, and non-compensatory class authorities as determined by the Postal Regulatory Commission. The January rate authority will include six months of CPI, plus any unused rate authority. Subsequent July prices will include six months of CPI plus the retirement, density, and non-compensatory class authority of CPI plus the retirement, density, and non-compensatory class authority.





Expected CPI Authority - July 2022

□ Consumer Price Index – Urban (CPI-U) 4.5%



Projected Density-Based and Retirement-Based Rate Authorities - July 2022

Density Authority accounts for declining volumes and growing delivery points

- Depends on market dominant or total mail volume trends (total volume declined from 129.2B to 128.9B)
- Depends on change in delivery points (increased from 142.2M to 143.8M)
- □ Depends on percent of institutional costs (was 44.21% in FY20)
- $\hfill\square$ Rough estimate is ~ 0.58%
 - □ *Percent decline in density* = (volume/delivery points₂₀₂₁) *divided by* (volume/delivery points₂₀₂₀) -1 (128.9B/143.8M) / (129.2B/142.2M) = (896,366/908,296) -1 = 1.31%
 - Density rate authority = Percent of institutional cost * percent decline in density
 - $\Box (44.21\% * 1.31\%) = 0.58\%$

Retirement Authority must be used for payment of liabilities and if not taken each year will not be available for future price changes (Revenue due to this authority must be remitted to OPM the following year)
Depends on the amortization payment amounts provided by OPM

Depends on total revenue

 $\square Rate Authority_{2022} = \left(1 + \frac{Amortization payments_{2021}}{Total Revenue_{2021}} - Compounded prevsious authority\right)^{1/(5-years compounded)} - 1$

• Compounded previous rate authority = $1 - (1 + 0.0106)^{-1} = 1.050\%$

a Rough estimate is $(1 + \frac{4,166M}{77,068M} - 0.0105)^{1/4} - 1 = 1.07\%$

□ Rough Estimate of Total Authority for First-Class Mail, Marketing Mail, and Special Services is ~6.16%

□ Periodicals and Package Services allowed additional 2% since currently underwater

