

HJR

20

SENATE COMMITTEE REPORT

DATE: 5/4/07

FURTHER:

DATE TURNED
IN TO OFFICE: 5/8/07

Community and Regional Affairs Committee considered HOUSE JOINT RESOLUTION NO. 20

HJR 20 BYPASS MAIL RATE INCREASE

Urging the United States Congress to intervene to eliminate or reduce the planned parcel post and bypass mail rate increases adopted by the United States Postal Service because of the severe effect the rate increases will have on rural Alaska.

and recommends:

- be replaced with SCS or CS _____ (_____)
- adopt previous SCS or CS _____ (_____)
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

SENATE BILL:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
<hr/>	
HOUSE BILL:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

NEW FISCAL NOTE(S):

PREVIOUS FISCAL NOTE(S):

(H) Rules	5/2/07			✓

APPROPRIATION - no fiscal note

	Thomas	✓			
	Wagoner	✓			
	Stevens	✓			
	Kookesh	x			
CHAIR:	Olson	✓			

**Alaska State Legislature
House of Representatives**

Alaska State Capitol, Rm 415
Juneau, Alaska 99801-1182
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Representative Mary Nelson

Bethel - House District 38

E-mail: Representative_Mary_Nelson@legis.state.ak.us

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Sponsor Statement- HJR 20

For many rural Alaskan communities, the bypass mail system is necessary for economic survival. On May 14, 2007, the United States Postal Service plans to implement rate increases that threaten the success of the bypass mail system in rural Alaska.

Bypass mail is a special form of non-priority mail that goes from a shipper to its recipient, bypassing the post office. When the United States Postal Service raises overall fourth class parcel post rates by between 29 and 58 percent, it will also raise bypass mail rates. While bypass mail is not cheap, it serves a vital purpose in remote parts of Alaska.

Many rural Alaskans live on fixed incomes. Crisis-level fuel costs have forced some to choose between heating their homes and feeding their families. Raising bypass mail rates will result in higher costs for food and goods, and further economic hardship for Alaska's rural communities.

HJR 20 brings the real life consequences of a United States Postal Service bypass mail rate increase to the attention of Alaska's Congressional delegation and other key members of the United States Government. It urges them to intervene to eliminate or reduce the planned parcel post and bypass mail increases.

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HJR 20
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: House
 Title Congressional intervention planned parcel post RDU _____
and bypass mail rate increases Component _____
 Sponsor Representative Nelson _____
 Requester House Rules Component No. _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2007) cost: 0.0
 Mark this box () if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This resolution will have no fiscal impact.

Prepared by: Rynniva W. Moss
 Division: House Rules
 Approved by: Representative John Coghill
 Agency: Chairman, House Rules Committee

Phone 907-465-3764
 Date/Time 5/2/07 1:52 p.m.
 Date 5/2/2007

adn.com

Anchorage Daily News

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Bush prices about to leap**Shipping costs will jump 10 to 14 cents a pound for food going to rural areas**By ALEX deMARBAN
Anchorage Daily News*(Published: April 15, 2007)*

The Bush is about to get more expensive.

The U.S. Postal Service is boosting rates across the nation May 14, including a dramatic increase for a program designed to keep grocery costs down in rural Alaska.

Most Americans will notice the increased price for stamps. They'll go from 39 to 41 cents.

Rural Alaskans will notice more expensive milk, flour and other products. Store prices out there already are typically more than double Anchorage's.

"It's kind of scary," Stanley Tom, who owns a store in the Southwest village of Newtok, said of the postal-rate rise.

The bypass-mail program is important to off-road villages throughout the Interior, Western and Northern Alaska, where incomes are low and transportation costs high. Bypass subsidizes bulk-mail delivery, with shipments arriving by air at cheap, parcel-post rates.

Under the program, pallets of groceries or other goods weighing 1,000 pounds or more can be sent directly from a store or other business to an airline for delivery. The bulk shipment bypasses the post office -- hence the program's name.

On average, the new rates and a higher parcel surcharge will cost shippers an additional 10 to 14 cents for every pound, depending on the destination, said Rex Wilhelm, president of Alaska Commercial Co., the state's largest rural retailer.

That will boost bypass rates and fees about 40 percent, Wilhelm said. That's the highest increase in history, so high the company's Bush stores must pass most costs to consumers, he said.

"This is a huge increase coming through and we can't absorb all of it, that's for sure," he said.

A 10-pound bag of flour in Bethel, will roughly cost an extra dollar, increasing from \$9.49 to \$10.49.

In Barrow, where costs are higher because seasonal shipping by barge is more difficult, the cost of that flour will increase from \$11.59 to \$12.99, he said.

A gallon of milk, weighing 8.5 pounds, will jump from \$6.89 to about \$7.75 in Bethel.

In Barrow, a \$7.99 gallon of milk will cost about \$9.18.

Wilhelm doesn't fault the Postal Service. Fuel prices rose sharply the last two years, but the service hasn't increased rates to cover the rising costs until now.

"You could say we had a grace period," he said.

Postal Service rates nationally are rising to cover operational costs for such expenses as transportation and health insurance, said Steve Deaton, the Postal Service's transportation specialist in Alaska.

In Alaska, the rate increase is not enough to cover the increased costs of operating bypass, he said, which loses \$50 million to \$70 million a year. Bypass mail will still be several times cheaper than the cost of a private shipment on an airline, he said.

"We realize (increased bypass rates) are not insignificant. However, they're necessary to continue to provide service to rural Alaska."

STEVENS INVESTIGATING

U.S. Sen. Ted Stevens, R-Alaska, creator of the bypass program in the 1970s, met with postal officials last week. Stevens believes something can be done to offset the increase, said Aaron Saunders, Stevens' spokesman.

"We're still in the stages of figuring out what our options are," Saunders said.

Tom, the Newtok store owner, uses bypass to ship products such as canned goods and Enfamil baby formula.

Villagers are hunting seals and ptarmigan this month, and drying pike hooked through ice holes, he said. The land provides most food in Newtok, but people need stores to round out diets.

He said he will have to raise prices at Tom's Store, the village's second-biggest grocery store. He's afraid higher prices will turn away customers, forcing him to shut down, leaving one store without competition.

The higher costs could force rural Alaskans to buy less nutritious foods, said Bret Luick with the University of Alaska Fairbanks' Cooperative Extension Service, which tracks Alaska diets and food prices.

Food in the Bethel region, for example, costs two to three times more than in Anchorage, though per capita income is much less, about \$13,000 a year, he said.

On average, residents there eat a half serving of fruits and vegetables daily, far less than they should, in part because of price, he said. If prices rise, they might buy fewer apples and cucumbers.

"This isn't the way you run a society and take care of people," he said. "This is a problem."

Daily News reporter Alex deMarban can be reached at ademarban@adn.com or 257-4310.

COMPARING GROCERY PRICES AROUND ALASKA

Price: for groceries in rural Alaska are expected to rise due to increases in bypass mail rates --

rates subsidized by the federal government. Alaska Commercial Co., with stores throughout rural Alaska, says prices could increase 10 to 14 cents per pound. Here's a comparison of grocery prices from the last few weeks around Alaska. Source: Bret Luick, Cooperative Extension Service at UAF and Alaska Commercial Co.

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Postal rate increase to be felt at the checkout line in Bush Alaska

By Rob Stapleton

Alaska Journal of Commerce

Publication Date: 04/08/07

A mail rate increase scheduled for May 14 will push the price of milk and staples sky high in rural Alaska, according to Alaska residents and businesses.

"This increase will definitely close the gap for using air freight over U.S. mail," said Michelle Adams, logistics manager for the Alaska Commercial Co. "We are getting closer and closer to air freight rates."

The new rate will push a 1-ounce first class letter up to 41 cents, and a postcard will now cost 29 cents. The real increase in the mail rate will be felt harder by those in the rural Alaska, according to Adams.

"This is huge, I really feel for the folks in the Bush," Adams said.

Rates per pound will increase to 12 cents per pound, a 40 percent jump over current rates for bypass mail from Anchorage. Rates for Fairbanks to Barrow will jump to 13 cents per pound, or 38 percent more than current rates.

Overall the rate increase in fourth-class parcel post ranges from 29.4 percent to 58.2 percent for packages that are not oversized.

Adams also noted that the rate for larger bundled packages heavier than 70 pounds will rise as the poundage increases, to the tune of about 58 percent.

"This will drive the cost of milk up at least a dollar more a gallon," Adams said.

Christopher Low of Barrow said that a gallon of milk is selling for \$7.95 a gallon at the AC store there.

"But you can get milk cheaper now because the store is getting it later because of the bypass mail slow down," said Low, a management professor at Ilisagvik College. "Milk goes on sale for 99 cents a gallon because it gets in one day before it goes out of date, and AC is losing money on it."

The U.S. Postal Service says that the cost increases do not cover its operating costs.

"We understand that these costs are not insignificant. However, when you realize that bypass mail only covers 15 percent of its costs, this rate increase isn't exorbitant," said Steve Deaton, a network operations specialist with the U.S. Postal Service.

Bypass mail skips the post office, going directly from the shipper to the recipient in rural Alaska.

Adams says that the Alaska's congressional delegation has been contacted to try to intervene, or to find help for rural residents.

"We are exploring all the avenues on how to keep prices down. We are even looking at barging in more dry goods this spring, and warehousing them at our stores," Adams said.

Rob Stapleton can be reached at rob.stapleton@alaskajournal.com.

Click here to return to story:

http://www.alaskajournal.com/stories/040807/loc_20070408005.shtml

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April 2, 2007

Representative Mary Nelson
State Capitol, room 415
Juneau, AK 99801

Dear Representative Mary Nelson,

The US Postal Service has done an excellent job of notifying the public that the cost of a first class stamp is going up to 41 cents (a 5.1% increase) on May 14th. What they haven't told the public is that the Parcel Post rate is going up anywhere from 25% to 58% depending on the average bundle weight.

Why is this significant? Parcel Post rates are also Bypass Mail rates. Rural Alaskans depend on the Bypass Mail system to bring them the products and foods they consume everyday.

What does this mean for the average consumer in rural Alaska? A 40 lb. parcel of food going to Bethel currently costs \$ 265 per lb, but on May 14th it will be \$.374 per lb. It means the gallon of milk a Bethel resident now pays \$6.89 for will soon cost over \$8.00!

This is the single largest rate increase bypass customers have ever seen!

As you know, many rural Alaskans live on fixed incomes. This rate increase, combined with the already high fuel prices in rural Alaska, will force families to make tough choices between heating their homes, feeding their families and buying the other necessities of life with their limited income. The quality of life and standard of living in rural Alaska will suffer as a result.

When the original rate case went to the Postal Board of Governors, the rate increase at that time was averaging around 30%. When the case was approved and came back, they had also increased the nonmachinable surcharge by 102% which increased the total postal rate closer to an average of 40%.

Representative, we respectfully ask you to look into this rate increase to see if there is anything that can be done to lessen the financial impact on the residents of Rural Alaska

Sincerely,

Rex Wilhelm
President and COO
Alaska Commercial Company

Enclosures: Current and New Parcel Post Rate Sheets

¹ Bundle weight:

Parcel Post allows shippers to "bundle" together like parcels up to a maximum size and weight to achieve a greater total weight. "Bundling" allows a shipper to spread the impact of the nonmachinable surcharge over more weight thereby decreasing the cost per pound.

While the Post Office allows bundles up to 70 lbs., most bundles are significantly less due to the type of product and size incompatibilities. If the bundle is too heavy for the product mix, the strapping can break or the product gets damaged. Toilet paper and other paper products don't weigh much and so will exceed the size limitation before you ever get close to a decent weight. Most shippers find an "optimal" bundle weight based on the type of products they are shipping. Soda pop shippers like Coke and Pepsi often have 60 pound bundles while shippers of General merchandise and groceries will often have lower bundle weights due to the nature of the product mix.

² Nonmachinable Surcharge:

This was added to Parcel Post in January 2001. All parcels meeting certain requirements as laid out in the Domestic Mail Manual 101.7.2 (see attached sheets) are charged this surcharge. All Bypass Mail is charged the nonmachinable rate, which is currently \$1.42 per bundle.

CURRENT RATES

150



Retail Mail: Parcel Post Rates and Eligibility

153.1 12

Exhibit 1.12 Local and Intra-BMC/ASF Machinable and Nonmachinable Parcel Post Rates

Weight Not Over (pounds)	Machinable ^{1, 2, 3, 4}					Nonmachinable ^{1, 2, 4, 5}				
	Zone					Zone				
	Local	1&2	3	4	5	Local	1&2	3	4	5
1	\$2.96	\$3.12	\$3.15	\$3.21	\$3.31	\$4.38	\$4.54	\$4.57	\$4.63	\$4.73
2	3.30	3.72	3.75	3.83	3.94	4.72	5.14	5.17	5.25	5.36
3	3.63	4.30	4.33	4.43	4.55	5.05	5.72	5.75	5.85	5.97
4	3.93	4.51	4.87	4.97	5.12	5.35	5.93	6.29	6.39	6.54
5	4.21	4.68	5.29	5.39	5.57	6.03	6.61	6.97	7.07	7.25
6	4.46	4.86	5.67	5.81	6.0	6.58	7.16	7.52	7.62	7.81
7	4.60	5.02	6.00	6.16	6.55	7.02	7.60	7.96	8.06	8.25
8	4.70	5.62	6.30	6.47	6.96	7.42	8.00	8.36	8.46	8.65
9	4.81	5.75	6.56	6.80	7.33	7.78	8.36	8.72	8.82	9.01
10	4.91	5.83	6.83	7.10	7.67	8.12	8.70	9.06	9.16	9.35
11	5.00	6.07	7.10	7.38	7.99	8.44	9.02	9.38	9.48	9.67
12	5.10	6.23	7.31	7.65	8.29	8.74	9.32	9.68	9.78	9.97
13	5.19	6.37	7.48	7.91	8.57	9.02	9.60	9.96	10.06	10.25
14	5.27	6.49	7.61	8.17	8.83	9.28	9.86	10.22	10.32	10.51
15	5.35	6.61	7.79	8.39	9.07	9.52	10.10	10.46	10.56	10.75
16	5.45	6.72	7.97	8.60	9.32	9.77	10.35	10.71	10.81	11.00
17	5.51	6.86	8.14	8.83	9.54	10.00	10.58	10.94	11.04	11.23
18	5.59	6.96	8.29	9.03	9.74	10.20	10.78	11.14	11.24	11.43
19	5.65	7.08	8.45	9.22	9.94	10.40	10.98	11.34	11.44	11.63
20	5.75	7.19	8.68	9.38	10.12	10.58	11.16	11.52	11.62	11.81
21	5.81	7.28	8.75	9.55	10.30	10.68	11.26	11.62	11.72	11.91
22	5.87	7.40	8.87	9.70	10.46	10.78	11.36	11.72	11.82	12.01
23	5.94	7.48	9.04	9.84	10.61	10.88	11.46	11.82	11.92	12.11
24	6.01	7.58	9.17	9.97	10.77	11.00	11.56	11.92	12.02	12.21
25	6.09	7.68	9.30	10.10	10.92	11.10	11.66	12.02	12.12	12.31
26	6.13	7.77	9.41	10.23	11.05	11.20	11.76	12.12	12.22	12.41
27	6.20	7.85	9.55	10.35	11.17	11.30	11.86	12.22	12.32	12.51
28	6.26	7.93	9.68	10.45	11.30	11.40	11.96	12.32	12.42	12.61
29	6.33	8.02	9.80	10.56	11.41	11.50	12.06	12.42	12.52	12.71
30	6.41	8.11	9.91	10.67	11.52	11.60	12.16	12.52	12.62	12.81
31	6.46	8.19	9.99	10.76	11.64	11.70	12.26	12.62	12.72	12.91
32	6.51	8.28	10.12	10.87	11.73	11.80	12.36	12.72	12.82	13.01
33	6.59	8.35	10.22	10.95	11.84	11.90	12.46	12.82	12.92	13.11
34	6.64	8.43	10.31	11.04	11.92	12.00	12.56	12.92	13.02	13.21
35	6.69	8.50	10.39	11.12	12.00	12.10	12.66	13.02	13.12	13.31

1. For parcels that originate and destinate in the same BMC service area.
2. Parcels that measure in combined length and girth:
 - More than 84 inches but not more than 108 inches, and the piece weighs less than 15 pounds, use 15-pound rates (balloon rate).
 - More than 108 inches but not more than 130 inches, use oversized rates regardless of weight.
3. Machinable parcels may be eligible for barcode discount of \$0.03 per parcel (50-piece minimum).
4. Regardless of weight, a parcel that meets any of the criteria in 101.7.2 (for retail) or 401.2.3.2 (for discount) must pay the nonmachinable rate.
5. Rates include the \$1.42 nonmachinable surcharge. The nonmachinable surcharge does not apply to parcels mailed at oversized rates or parcels sent with special handling.

RATES EFFECTIVE MAY 14, 2007

Retail Mail: Parcel Post (Local and Intra-BMC/ASF)



Parcel Post (Local and Intra-BMC/ASF)
RETAIL PARCELS

Weight Not Over (pounds)	Machinable ^{1, 2, 3, 4}					Nonmachinable ^{1, 2, 4, 5}				
	Zone					Zone				
	Local	1 & 2	3	4	5	Local	1 & 2	3	4	5
36	For parcels over 35 pounds, use nonmachinable rates.					\$11.65	\$14.01	\$16.53	\$17.18	\$17.89
37	---	---	---	---	---	11.70	14.13	16.65	17.34	18.05
38	---	---	---	---	---	11.76	14.22	16.78	17.49	18.21
39	---	---	---	---	---	11.85	14.32	16.91	17.63	18.36
40	---	---	---	---	---	11.90	14.37	17.00	17.71	18.44
41	---	---	---	---	---	12.01	14.52	17.16	17.87	18.66
42	---	---	---	---	---	12.07	14.58	17.28	17.98	18.80
43	---	---	---	---	---	12.15	14.66	17.37	18.06	18.94
44	---	---	---	---	---	12.24	14.77	17.48	18.13	19.07
45	---	---	---	---	---	12.30	14.83	17.57	18.21	19.20
46	---	---	---	---	---	12.35	14.96	17.69	18.42	19.44
47	---	---	---	---	---	12.44	15.05	17.78	18.50	19.83
48	---	---	---	---	---	12.50	15.12	17.90	18.55	20.24
49	---	---	---	---	---	12.56	15.22	18.00	18.61	20.64
50	---	---	---	---	---	12.60	15.28	18.09	18.67	21.05
51	---	---	---	---	---	12.71	15.38	18.17	18.74	21.48
52	---	---	---	---	---	12.75	15.47	18.31	18.80	21.92
53	---	---	---	---	---	12.82	15.51	18.38	18.83	22.37
54	---	---	---	---	---	12.91	15.58	18.43	18.90	22.83
55	---	---	---	---	---	12.97	15.64	18.52	19.00	23.30
56	---	---	---	---	---	13.01	15.75	18.55	19.03	23.10
57	---	---	---	---	---	13.08	15.84	18.57	19.06	23.24
58	---	---	---	---	---	13.15	15.91	18.63	19.11	23.33
59	---	---	---	---	---	13.21	15.99	18.67	19.16	23.43
60	---	---	---	---	---	13.27	16.05	18.76	19.20	23.54
61	---	---	---	---	---	13.36	16.16	18.76	19.25	23.63
62	---	---	---	---	---	13.39	16.23	18.80	19.33	23.72
63	---	---	---	---	---	13.47	16.30	18.82	19.42	23.81
64	---	---	---	---	---	13.53	16.38	18.85	19.50	23.91
65	---	---	---	---	---	13.59	16.44	18.91	19.57	24.02
66	---	---	---	---	---	13.62	16.55	18.93	19.67	24.09
67	---	---	---	---	---	13.73	16.62	18.98	19.77	24.16
68	---	---	---	---	---	13.78	16.65	18.99	19.82	24.24
69	---	---	---	---	---	13.79	16.75	19.02	19.91	24.33
70	---	---	---	---	---	13.87	16.83	19.10	20.01	24.43
Oversized	---	---	---	---	---	28.82	41.78	42.17	43.01	44.28

- For parcels that originate and destinate in the same BMC service area
- Parcels that measure in combined length and girth:
 - More than 84 inches but not more than 108 inches, and the piece weighs less than 20 pounds, use 20-pound rates (balloon rate).
 - More than 108 inches but not more than 130 inches, use oversized rates regardless of weight.
- Machinable parcels may be eligible for barcode discount of \$0.03 per parcel (50-piece minimum).
- Regardless of weight, a parcel that meets any of the criteria in 101.7.2 (for retail) or 401.2.3.2 (for discount) must pay the nonmachinable rates.
- Rates include the \$2.87 nonmachinable surcharge. The nonmachinable surcharge does not apply to parcels mailed at oversized rates or parcels sent with special handling.