

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Products Price Changes
Rates of General Applicability

Docket No. CP2009-27

PUBLIC REPRESENTATIVE COMMENTS ON NOTICE CONCERNING
CHANGES IN RATES FOR PICKUP ON DEMAND SERVICE
FOR COMPETITIVE PRODUCTS
(May 1, 2009)

The Public Representative hereby comments on the Postal Service's notice of errata to the changes in rates of general applicability and classifications for competitive products that it filed on February 10, 2009 for certain competitive products.¹ In its Notice of Errata, the Postal Service requests authorization to increase the charge for Pickup on Demand service for several competitive mail products from the current rate of \$14.75 to \$15.30.² The change is scheduled to become effective May 11, 2009.

The Postal Service explains that, although the rate changes for Pickup on Demand were approved by the Board of Governors, certain information was omitted from the price charts in the Mail classification Schedule (MCS) language attached to the Board of Governors' decision filed with the Commission on February 10. Consequently,

¹ Notice of Errata to United States Postal Service Notice of Changes in Rates of General Applicability for Competitive Products Established in Governors' Decision No. 09-01, April 9, 2009 (Notice of Errata). The Postal Service's Notice of Errata is styled CP2009-23, the docket number of the underlying rate increase for competitive products filed on February 10, 2009. The Commission's order noticing the Notice of Errata restyled the proceeding as Docket No. CP2009-27. Notice and Order Concerning Changes in Rates of General Applicability for Competitive Products, Docket No. CP2009-27, Order No. 202, April 13, 2009 (Notice).

² The affected classes of mail are Parcel Post Single-Piece, Express Mail, Priority Mail, Outbound International Expedited Services and Outbound Priority Mail International.

the Federal Register notice of the changes in rates of general applicability inadvertently omitted the requisite notice of the intended increase in charges for Pickup on Demand service. The Postal Service has provided a notice of correction for publication in the *Federal Register*. Notice of Errata at 2.

The Commission's Notice requested the Postal Service to provide the overall (average) price increase for four services affected. The Postal Service responded that the overall (average) price increase for those services is "unchanged" because the Pickup on Demand service is not reported with those services, but is included within the Special Services for market dominant products.³

Further, the Commission's Notice requested the weights used to calculate the overall (average) percentage price increase for each referenced product and service. The Postal Service responded that the weights are the FY08 transaction volumes filed with the Postal Service's FY2008 Annual Compliance Report. Using FY08 volumes exhibited in a library reference filed with the Postal Service's FY2008 Annual Compliance Report, the Postal Service calculated the rate increases for Pickup on Demand service as 3.73 percent.⁴

Based upon the Postal Service's response, it appears that the price increases have already been included in the cap calculation in the general rate increase proceeding for market dominant products in Docket No. R2009-2 and were also factored into the compliance calculations for Special Services in that docket. The

³ Response to Notice and Order Concerning Changes in Rates of General Applicability for Competitive Products, April 16, 2009.

⁴ *Id.* However, the Commission's FY2008 Annual Compliance Determination neither separately identifies nor discusses the Pickup on Demand service as either an ancillary Special Service or a "stand-alone" Special service. See Postal Regulatory Commission Annual Compliance Determination, March 30, 2009 at 77-80.

proposed 3.73 percent increase is only slightly above the 3.715 percent overall price increase for Special Services approved in that proceeding. The proposed increase in charges for Pickup on Demand service is therefore reasonable.⁵

Significantly, the unused and banked price adjustment authority remaining for Special Services appears to already incorporate the price increase for Pickup on Demand service. It has been calculated as 0.137 percent, filed with the Commission,⁶ and approved.⁷ The Public Representative therefore believes that no adjustment to the banked rate authority is necessary.

A related issue is whether it is appropriate to include all of the costs of Special Services provided with competitive products in the market dominant calculation. This question was considered by the Commission in a previous docket and the Postal Service was urged to find ways to allocate costs correctly between market dominant and competitive products:

This first price adjustment review is not the appropriate forum to implement the Public Representative's suggestion that the Special Services products' revenues and costs be allocated between the market dominant and competitive products. Nonetheless, the theoretical wisdom of this suggestion is clear, and the Postal Service is urged to explore ways to reclassify Special Services so that costs and revenues can be allocated correctly between market dominant and competitive products.⁸

⁵ See , Notice Of The United States Postal Service of Filing Amended Notice of Market Dominant Price Adjustment, March 26, 2009, Appendix A, Recalc of SpecServ Cap.xls., PRC Calculation of the Cap with Revised Confirm Values.

⁶ *Id.* Appendix A, Recalc of SpecServ Cap.xls., Banked Cap Amount.

⁷ Order Approving Revisions in Amended Notice of Market Dominant Price Adjustment, Docket No. R2009-2, Order No. 201, April 9, 2009 at 4.

⁸ Notice of Price Adjustment, R2008-1, Review of Postal Service Notice of Market Dominant Price Adjustment, Order No. 66, March 17, 2008 at 56.

The issue is not before the Commission for resolution in this docket. However, the matter should be revisited again in the next compliance proceeding if the Postal Service continues to lump the costs of these Pickup on Demand Special Services together with market dominant products without reflecting the costs of these Special Services on the competitive side of the ledger.⁹

The Public Representative respectfully submits the foregoing Comments for the Commission's consideration.

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⁹ The Postal Service distributes the revenue and costs of certain ancillary Special Services to some host mail classes. Postal Regulatory Commission Annual Compliance Determination, March 30, 2009 at 78.