

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;
Tony L. Hammond, Vice Chairman;
Mark Acton;
Dan G. Blair; and
Nanci E. Langley

Notice of Price Adjustment and
Classification Changes Related to
Move Update Assessments

Docket No. R2010-1

NOTICE AND ORDER CONCERNING
PRICE ADJUSTMENT AND CLASSIFICATION CHANGES
RELATED TO MOVE UPDATE ASSESSMENTS

(Issued October 19, 2009)

I. OVERVIEW

On October 15, 2009, the Postal Service filed with the Commission a notice announcing its intention, pursuant to 39 U.S.C. 3622 and 39 CFR part 3010, to establish a Move Update assessment charge for First-Class Mail.¹ The Notice describes related pricing and classification information specifying how the Move Update assessment will be applied to First-Class Mail. The Notice also announces classification changes which

¹ United States Postal Service Notice of Market Dominant Price Adjustment and Classification Changes, October 15, 2009 (Notice).

revise the way the Move Update assessment will be applied to Standard Mail. The Postal Service intends to implement these changes on January 4, 2010. *Id.* at 1.

The Notice addresses plans for public notice; a description of the price and classification changes; price cap compliance; the statutory objectives and factors; workshare discounts; and preferred rates. The changes described in the Notice are supported by Appendix A (hard copy), and Appendices B1, B2, and B3 (electronic format). Appendix A specifies proposed Mail Classification Schedule (MCS) language. The B appendices provide the following information: B1—Calculation of Percentage of Mail Expected to Pay a Move Update Assessment, B2—Calculation of Revenue Estimate for First Class Mail, and B3—Calculation of Revenue Estimate for Standard Mail. The Notice and all appendices are available for review on the Commission's website at www.prc.gov.

II. POSTAL SERVICE FILING

Background. In Docket No. R2009-2, Notice of Market Dominant Price Adjustment, filed February 10, 2009, the Postal Service provided notice that, at acceptance, Standard Mail mailings that fail a Move Update verification would be assessed an additional 7 cents per piece for each piece in the mailing. First-Class Mail mailings that fail a Move Update verification would be charged the single-piece rate on all pieces in the mailing. In March 2009, the Postal Service notified the Commission of its decision to delay the implementation of the Standard Mail Move Update assessment until January 2010. *Id.* at 2-3.

Price and classification description. In this docket, the Postal Service proposes to revise Move Update assessments at acceptance. First, the Postal Service indicates that the 7-cent per-piece Move Update assessment will be applicable to First-Class Mail.² *Id.* at 3.

² These assessments are applicable only to customers who certify that their mail meets Move Update requirements. Customers who do not certify that their mail meets Move Update requirements or are determined not to have met the requirements are subject to single-piece First-Class Mail prices on all pieces in the mailing.

Second, for both First-Class Mail and Standard Mail, the Postal Service intends to apply the Move Update assessment to a smaller percentage of a mailing (above an established tolerance) than was previously proposed in Docket No. R2009-2. At acceptance, a sample of mail will be used to calculate the ratio of addresses that the mailer failed to update based on customer-supplied Change of Address orders, to the number of Change of Address orders on record. If the ratio is above the specified tolerance, an assessment would apply based on the percentage of the sample above this tolerance. Initially, the Postal Service will use a tolerance of 30 percent which is equivalent to a threshold of 70 percent. This tolerance will be reduced over time after providing appropriate public notice. *Id.* at 3-4.

Revenue. The Postal Service estimates that 0.096 percent of Standard Mail volume will be subject to the assessment. This would result in an estimated \$4.6 million in additional Standard Mail revenue. This estimate is a downward revision from the \$7 million estimate revenue provided in Docket No. R2009-2. *Id.* at 4.

The Postal Service estimates that 0.136 percent of presorted First-Class Mail volume will be subject to the assessment. This would result in an estimated \$4.4 million in presorted First-Class Mail revenue. This is less than what currently is paid given that the mailpieces otherwise would have to pay the full single-piece rate. *Id.* at 4-5.

Mail Classification Schedule. The Postal Service proposes Mail Classification Schedule language to add the 7-cent per-piece assessment to the appropriate First-Class Mail sections. New to the First-Class Mail sections and as a change to the Standard Mail sections, the Postal Service changes the name of the assessment from “Move Update Noncompliance Charge” to “Move Update Assessment Charge.” This reflects the fact that Performance Based Verification by itself does not establish compliance or noncompliance with Move Update standards. Finally, language changes are proposed to indicate that the application of the assessment is only to a percentage of the pieces that fail a Move Update verification. *Id.* at 5.

Conformance with public notice and other requirements. In conformance with rule 3010.14(a)(3), the Postal Service certifies that it will inform customers of the

planned price adjustments in numerous ways. *Id.* at 1-2. In addition to the formal Notice filed with the Commission, these include notice via *USPS.com*, the Postal Explorer website, the *DMM Advisory*, the *P&C Weekly*, and the RIBBS website. *Id.* at 1-2. The Postal Service identifies Don O'Hara as the official contact for Commission queries. *Id.* at 2.

Impact on the price cap. The Postal Service asserts that the proposed adjustments have no impact on price cap issues. Therefore, it has made no calculation of cap or price changes described by rule 3010.14(b)(1) through (4). For First-Class Mail, the Postal Service explains that the new price represents a price decrease. Previously, First-Class Mail that failed a Performance Based Verification would pay the First-Class Mail single-piece rate which is greater than the newly proposed 7 cent per-piece assessment. Furthermore, the Postal Service contends that this adjustment is outside of the annual CPI-cap price change and that Commission's price cap rules do not specifically address the case of a price decrease. No price change is proposed for Standard Mail. Thus, for Standard Mail the Postal Service argues that cap compliance calculations are even less appropriate. *Id.* at 5-7.

Statutory objectives and factors. The Notice further provides, in compliance with rules 3010.14(b)(5) through 3010.14(b)(8), the Postal Service's assessment of how the planned program helps achieve the objectives of 39 U.S.C. 3622(b) and properly takes into account the factors of 39 U.S.C. 3622(c). *See generally id.* at 8-12.

With respect to statutory objectives, the Postal Service concludes that the price adjustment and classification changes do not substantially alter the degree to which First-Class Mail and Standard Mail prices already address the statutory objectives, or how they are addressed by the design of the system itself. It argues that by mitigating the assessments, the proposed changes reflect the Postal Service's use of pricing flexibility (Objective 4) to address mailer concerns, and at most, only cause a slight decrease in revenue while still providing proper incentives (Objective 5). The Postal Service argues that high quality service will improve by encouraging use of Move Update (Objective 3). Finally, parallel assessment of 7 cents per piece for both First-

Class Mail and Standard Mail is transparent and keeps administration of the assessment simple (Objective 6). *Id.* at 9.

In terms of statutory factors, the Postal Service asserts that, as with the objectives, the price and classification changes do not substantially alter the degree to which First-Class Mail and Standard Mail address the factors of 39 U.S.C. 3622(c). The Postal Service asserts that the Move Update adjustments will encourage mailers to adopt Move Update while reasonably taking the impact of price changes into account (factors 3 and 7). The Postal Service uses the adjustments as an example of enhancing operational efficiency by reducing undeliverable-as-addressed mail through the use of customer supplied Change of Address orders (factors 7 and 12). Finally, the Postal Service contends that the adjustments should not materially affect the cost coverage of either First-Class Mail or Standard Mail (factor 2). *Id.* at 12.

Workshare discounts. The Postal Service asserts that the Move Update assessment revisions do not constitute a change to workshare discounts. The Postal Service states that all passthrough values should be similar to those reviewed in Docket No. R2009-2. *Id.* at 12-13.

Preferred rates. The Postal Service contends that the program will have no impact on preferred rates in Standard Mail, and is not expected to affect the 60 percent ratio between nonprofit and commercial Standard Mail prices. *Id.* at 13.

III. COMMISSION ACTION

Establishment of docket; comments. The Commission establishes Docket No. R2010-1 to consider all matters related to the Notice. 39 CFR 3010.13(a). It also issues the instant Order to provide notice of the Postal Service's filing. Interested persons may express views and offer comments on whether the planned price adjustments and classification changes are consistent with the policies of 39 U.S.C. 3622 and with applicable requirements of 39 CFR part 3010. Consistent with the Commission's rules, 39 CFR 3010.13(a)(5), comments are due no later than November 4, 2009.

Public representative. Pursuant to 39 U.S.C. 505, the Commission appoints Jeremy L. Simmons to serve as the Public Representative to represent the interests of the general public in this docket.

IV. ORDERING PARAGRAPHS

It is ordered:

1. The Commission establishes Docket No. R2010-1 to consider matters related to the Postal Service's October 15, 2009 filing.
2. Interested persons may submit comments on the planned classification changes and price adjustments. Comments are due November 4, 2009.
3. Pursuant to 39 U.S.C. 505, the Commission appoints Jeremy L. Simmons to represent the interests of the general public in this proceeding.
4. The Commission directs the Secretary of the Commission to arrange for publication of this document in the *Federal Register*.

By the Commission.

Shoshana M. Grove
Secretary