

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

Notice of Price Adjustment  
(Technology Credit Promotion)

Docket No. R2013-6

CHAIRMAN'S INFORMATION REQUEST NO. 1

(Issued May 1, 2013)

To clarify the United States Postal Service Notice of Market-Dominant Price Adjustment (Technology Credit Promotion), filed April 16, 2013, the Postal Service is requested to provide written responses to the following questions. Answers should be provided to individual questions as soon as they are developed, but no later than May 7, 2013.

1. Please confirm that the proposed Mail Classification Schedule (MCS) language appearing below accurately describes the Technology Credit Promotion. Please propose any modifications necessary to provide a more accurate description. Note that the proposed language attempts to clarify the terms "Full-Service IMb eligible pieces" appearing in the Postal Service's Notice. It describes qualifying mail using terms currently appearing in the MCS. It states that any combination of eligible mail may be aggregated to achieve the more than 125,000 piece threshold to qualify for the Technology Credit Promotion.

*Full-service Intelligent Mail barcode Technology Credit Promotion (June 1, 2013 to May 31, 2014)*

- a. To be eligible for the Technology Credit Promotion, a mailer must have mailed more than 125,000 pieces in any combination of automation-compatible First-Class Mail Presorted Letters/Postcards, First-Class Mail Flats, Standard Mail Carrier Route, Standard Mail Flats, In-County Periodicals, Outside County Periodicals, or Package Services

Bound Printed Matter Flats between October 1, 2011 and September 30, 2012 (FY 2012).

- b. A mailer is evaluated for Technology Credit Program eligibility by Customer Registration ID (CRID) at each business location. Each CRID is eligible for one (1) Technology Credit.
  - c. The available amount of a Technology Credit is based on a mailer's eligible FY 2012 volume by CRID as follows:
    - 125,001-500,000 FY 2012 volume: \$2,000
    - 500,001-2,000,000 FY 2012 volume: \$3,000
    - More than 2,000,000 FY 2012 volume: \$5,000
  - d. The Technology Credit is automatically applied as a credit to postage for future mailings of First-Class Mail Presorted Letters/Postcards, First-Class Mail Flats, Standard Mail Carrier Route, Standard Mail Flats, In-County Periodicals, Outside County Periodicals, and/or Package Services Bound Printed Matter Flats where at least 90 percent of mailpieces within a mailing comply with Full-service Intelligent Mail requirements.
  - e. The Technology Credit is applied up to the full amount of the postage shown on a mailing statement. Any remaining Technology Credit may be applied to future mailing statements.
2. Please provide the following information in an Excel file for each eligible Technology Credit Program Customer ID (CRID): (a) CRID, (b) business location, (c) business identity, (d) amount of potential credit, and (e) FY 2012 eligibility volume. If the FY 2012 eligibility volume is available disaggregated by class of mail, please also provide that information.
  3. The Postal Service states that it will pay out approximately \$66 million in postage credit resulting from the Technology Credit Promotion. Notice at 1. Please provide the derivation of this figure.
  4. Please estimate the administrative cost of implementing the Technology Credit Promotion.
  5. Please confirm that the Technology Credit Promotion has rate cap implications due to changes in prices.

6. Commission rule 3010.2 identifies four types of rate adjustments for market dominant products. These include: Type 1-A rate adjustments, authorized under 39 U.S.C. 3622(d)(1)(D), based on the statutory annual limitation; Type 1-B rate adjustments, authorized under 39 U.S.C. 3622(d)(2)(C), based on an exception to the annual limitation and referred to as unused rate adjustment authority; Type 2 rate adjustments, authorized under 39 U.S.C. 3622(c)(10), based on a negotiated service agreement; and Type 3 rate adjustments, authorized under 39 U.S.C. 3622(d)(1)(E), based on exigent circumstances. The Postal Service indicates that it provides the information required by Rule 3010.14, which appears in Part 3010, Subpart B – Rules for Rate Adjustments for Rates of General Applicability (Type 1–A and 1–B Rate Adjustments). Notice at 1.
- a. Please confirm that the Technology Credit Promotion is a Type 1-A rate adjustment. If not confirmed, please indicate the type of rate adjustment the Postal Service is proposing and provide an explanation.
  - b. Rule 3010.14(b)(1) requires the Postal Service to provide “[t]he amount of the applicable change in CPI-U calculated as required by § 3010.21 or § 3010.22, as appropriate.” If less than 12 months have passed since the previous notice of Type 1-A or 1-B rate adjustment for First-Class Mail, Periodicals, Standard Mail and Package Services, rule 3010.22 (Calculation of less than annual limitation) applies. Please provide the data required by rule 3010.14(b)(1), including the calculation of the limitation as defined in rule 3010.22.
  - c. Rule 3010.14(b)(4) requires presentation of “[t]he amount of new unused rate authority, if any, that will be generated by the rate adjustment calculated as required by § 3010.26.”

Rule 3010.26 states that the less than annual limitation (from rule 3010.22) is to be used to determine the new unused rate authority. Because less than 12 months have passed since the previous notice of

Type 1 rate adjustment, the new unused rate authority for each class is equal to the difference between the less than annual limitation and the actual percentage change in rates for the class. See rule 3010.26(b).

Please provide the calculation of new unused rate adjustment authority generated by the proposal as defined by rule 3010.26.

- d. The Postal Service states that it should be “permitted to treat the Technology Credit Promotion as a decrease in rates, resulting in price authority, and delay the use of that price authority until its next market-dominant price change.” Notice at 5. Please describe how this treatment is consistent with applicable Commission rules. If this treatment is inconsistent with any specific rule, please provide a justification for allowing the inconsistency.
7. The Postal Service appears to propose the creation of permanent price cap authority. Notice at 6. However, the Technology Credit Promotion is proposed as a temporary, one-time offer. How does the Postal Service intend to reflect the expiration of the Technology Credit Promotion in subsequent Type 1-A or 1-B rate adjustments?
8. In an Excel file accompanying its Notice, the Postal Service provided the table replicated below which contains the “projected” Technology Credits by class of mail and resulting price cap authority. The Postal Service states “[t]he calculation is preliminary because, at the time of the next market-dominant price change filing, there will be new billing determinants available for conducting the calculation. At that time, a final calculation can be made.” Notice at 6.

	<b>First-Class Mail</b>	<b>Periodicals Mail</b>	<b>Standard Mail</b>	<b>Package Services</b>
1 Hybrid Year Revenue	\$29,057,592,925	\$1,681,205,730	\$16,619,092,438	\$854,220,447
2 Tech Credit Amount	\$22,464,743	\$2,660,852	\$40,482,687	\$120,718
3 Adjusted Revenue	\$29,080,057,667	\$1,683,866,582	\$16,659,575,125	\$854,341,165
4 Additional Cap	0.077%	0.158%	0.244%	0.014%

- a. When does the Postal Service intend to provide a final calculation of price cap authority?
  - b. Please provide a description of the data the Postal Service intends to use to update line 1 of this table including the time period covered by the data.
  - c. Please provide a description of the data the Postal Service intends to use to update line 2 of this table including the time period covered by the data.
9. Please explain the rationale for offering different levels of postage credit based on volume.
  10. Please provide the rationale for excluding CRIDs with less than 125,001 pieces in FY 2012.
  11. Please provide the rationale for including Periodicals, Package Service, and Standard Mail Flats in the Technology Credit Promotion in light of the Commission's finding in the FY 2012 ACD that the aforementioned categories failed to cover their attributable costs in FY 2012.

By the Chairman.

Ruth Y. Goldway