

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

Before Commissioners:

Ruth Y. Goldway, Chairman;
Robert G. Taub, Vice Chairman;
Mark Acton;
Tony Hammond; and
Nanci E. Langley

Notice of Price Adjustment
(Technology Credit Promotion)

Docket No. R2013-6

ORDER APPROVING TECHNOLOGY CREDIT PROMOTION

(Issued June 10, 2013)

I. OVERVIEW

On April 16, 2013, the Postal Service filed notice, pursuant to 39 U.S.C. § 3622 and 39 C.F.R. part 3010, of plans to implement temporary price and classification changes associated with offering a Technology Credit Promotion.¹ The promotion originally was planned to begin on June 1, 2013, and expire on May 31, 2014.

The Commission approves the request to offer the Technology Credit Promotion, but does not accept the price cap treatment proposed by the Postal Service. If the Postal Service decides to proceed with offering the Technology Credit Promotion, it

¹ United States Postal Service Notice of Market-Dominant Price Adjustment (Technology Credit Promotion), April 16, 2013; Corrections to Notice of Market-Dominant Price Adjustment (Technology Credit Promotion)—Errata, April 26, 2013 (Notice).

shall notify the Commission of the promotion's effective dates within 10 days of initiating the promotion.

The Commission does not adopt the Postal Service's proposal for adjusting the price cap to recoup potential lost revenue from the rebate. The approach is inconsistent with 39 U.S.C. § 3622(d)(2)(C) as well as previous treatments of promotions.

The Commission will not at this time commit to including an estimate of the effects of the Technology Credit Promotion when calculating the percentage change in rates for each class pursuant to the price cap rules.²

II. PROCEDURAL HISTORY

On April 18, 2013, the Commission established Docket No. R2013-6, directed the docket be noticed in the *Federal Register*, assigned a Public Representative, and established a deadline for filing comments.³

Review of the Postal Service's Notice raised questions which prompted the Chairman to issue an information request.⁴ On May 14, 2013, the Postal Service also conducted an off-the-record webinar to further answer mailers' questions about the promotion. The Commission received requests from the Postal Service and interested persons to extend the deadline for filing comments in order to provide time to consider the new information presented in responses to CHIR No. 1 and the Postal Service's

² The Commission is currently reviewing its price cap rules in Docket No. RM2013-2. Unless stated otherwise, the Postal Service should file subsequent price adjustment proposals consistent with the price cap rules in effect at the time of filing. Thus, the outcome of Docket No. RM2013-2 may or may not affect the subsequent price cap treatment of the Technology Credit Promotion.

³ Order No. 1702, Notice and Order on Market Dominant Price Adjustment for Technology Credit Promotion, April 18, 2013.

⁴ Chairman's Information Request No. 1, May 1, 2013 (CHIR No. 1); Responses of the United States Postal Service to Chairman's Information Request No. 1, May 7, 2013 (Response to CHIR No. 1); Revised Response of the United States Postal Service to Chairman's Information Request No. 1, Question 1 [Errata], May 31, 2013 (Errata to CHIR No. 1); see also Public Representative Motion for Issuance of Information Request, April 25, 2013.

webinar. The Commission extended the deadline for filing comments on three occasions.⁵

Comments were filed by the Association for Postal Commerce on behalf of Association of Marketing Service Providers, the Association of Magazine Media, and the Direct Marketing Association (PostCom); the Calmark Group (Calmark); Conde Nast; the Public Representative; National Newspaper Association, Inc. (NNA); National Postal Policy Council, the Major Mailers Association, the National Association of Presort Mailers, and the Association for Mail Electronic Enhancement (Joint Commenters); Time Inc.; and Valpak Direct Marketing Systems, Inc. and Valpak Dealers' Association, Inc. Comments (Valpak).⁶ On June 6, 2013, the Postal Service filed reply comments.⁷

The Postal Service's proposal to offer the Technology Credit Promotion presents two issues for consideration. The first issue is whether a proposal to offer a mailing

⁵ Order No. 1708, Order Extending Deadline for Comments, May 1, 2013; Order No. 1710, Order Extending Deadline for Comments, May 3, 2013; Order No. 1717, Order Extending Deadline for Comments, May 16, 2013.

The Public Representative contends that it is not uncommon for the Postal Service to submit "bare bones" initial filings and rely on the Commission to ask questions to fill in gaps. Within the context of a 45-day statutory deadline for issuing an opinion, by the time questions are answered, there is very little time for interested persons to provide informative comment. The Public Representative asserts that this raises due process issues. Public Representative Comments, May 6, 2013, at 3-5 (PR Comments).

By extending the comment deadline on three occasions, the Commission finds that adequate time has been provided to offer informative comment in this docket. It is in the best interest of the Postal Service to submit complete filings to afford interested persons an opportunity to review the filings and to enable the Commission to issue timely orders on the merits of such filings.

⁶ Comments of the Association for Postal Commerce, May 24, 2013 (PostCom Comments); Comments of the Calmark Group, May 23, 2013 (Calmark Comments); Comments of Conde Nast, May 24, 2013 (Conde Nast Comments); Comments of National Newspaper Association, Inc. in Response to the Postal Service Proposal, May 24, 2013, Declaration of Bradley Hill in Response to the Postal Service Proposal for Tech Credits, May 24, 2013, Declaration of Max Heath in Response to the Postal Service Proposal for Tech Credits, May 24, 2013 (NNA Comments); Comments of the National Postal Policy Council, the Major Mailers Association, the National Association of Presort Mailers, and the Association for Mail Electronic Enhancement, May 24, 2013 (Joint Comments); PR Comments; Comments of Time Inc. on Market Dominant Price Adjustment for Technology Credit Promotion, May 24, 2013 (Time Inc. Comments); Valpak Direct Marketing Systems, Inc. and Valpak Dealers' Association, Inc. Comments on the United States Postal Service Notice of Market-Dominant Price Adjustment (Technology Credit Promotion), May 24, 2013 (Valpak Comments).

⁷ Reply Comments of the United States Postal Service, June 4, 2013. The Postal Service also filed a Motion of the United States Postal Service for Leave to File Reply Comments. The motion is granted.

credit to promote early adoption of Full-service Intelligent Mail barcodes (IMb) is consistent with the requirements of title 39. The second issue is whether a proposal to seek remuneration for the credit through new price cap authority is consistent with the requirements of title 39 and regulations promulgated by the Commission for calculating price cap authority. These issues are analyzed separately. The proposal to offer a mailing credit is discussed first followed by the price cap treatment issue.

III. TECHNOLOGY CREDIT PROMOTION

The Technology Credit Promotion provides certain mailers with a one-time credit towards future mailings that employ Full-service IMb. Notice at 1. The total value of the promotion is estimated to be approximately \$61.6 million. Response to CHIR No. 1, question 2. The amount of the credit will be based on a mailer's Fiscal Year (FY) 2012 mail volumes. The purpose of the promotion is to encourage adoption of Full-service IMb by offsetting a portion of the mailer's investment in hardware and software necessary to support Full-service IMb. Notice at 1.

The Technology Credit Promotion applies to mail sent as First-Class Mail Presorted Letters/Postcards, First-Class Mail Flats, Standard Mail High Density and Saturation Letters, Standard Mail High Density and Saturation Flats/Parcels (only High Density Plus Flats and High Density Flats Price categories), Standard Mail Carrier Route (Letters and Flats only), Standard Mail Letters, Standard Mail Flats, In-County Periodicals, Outside County Periodicals, and Package Services Bound Printed Matter Flats (Applicable Mail). Errata to CHIR No. 1.

To be eligible for the promotion, mailers must have mailed more than 125,000 qualifying mailpieces per business location, *i.e.*, each Customer Registration ID (CRID), in FY 2012.⁸ *Id.* In March 2013, the Postal Service informed these customers of their

⁸ Qualifying mailpieces consist of the types of mail identified as Applicable Mail, except that mailpieces in the High Density Plus Flats category of Standard Mail High Density and Saturation Flats/Parcels are not counted.

eligibility for the promotion. Notice at 2. The amount of the promotional credit is based on the volume of mail associated with each CRID as shown below.

CRID Volume	Eligible Credit
125,001-500,000	\$2,000
500,001-2,000,000	\$3,000
More than 2,000,000	\$5,000

The credit is granted to any qualifying CRID for future mailings containing 90 percent or more mailpieces meeting Full-service IMb requirements. The credit is automatically applied as a postage credit to a mailer's postage statement upon submission of an eligible mailing. The credit is applied in an amount up to the total amount of the mailing statement. Any remaining credit is available for subsequent mailings. Unused credits expire on May 31, 2014. *Id.* at 3-4.

The Postal Service notes that some CRIDs belong to mail service providers that do not have their own permit imprints. To include them in the promotion, the Postal Service intends to allow the mail service providers to apply for a permit imprint without paying the application fee. *Id.* at 4.

Comments. Calmark, a mail service provider, opposes the request to approve the Technology Credit Promotion. Calmark argues that it does not make sense to provide an incentive to move to Full-service IMb when Full-service IMb compliance soon will be mandatory to qualify for automation discounts. Furthermore, many mail owners that do not incur Full-service IMb compliance costs will receive a benefit, whereas service providers that do incur costs will not. Calmark Comments at 1-3.

Conde Nast supports the concept of incentivizing mailers to convert to Full-service IMb, but opposes approval of the Technology Credit Promotion. Conde Nast's concern is the Postal Service's intention of raising prices to recover the cost of the promotion and the lack of information about how the increased prices will be applied. Conde Nast Comments at 1.

NNA asserts that the Technology Credit Promotion may smooth the transition to Full-service IMb for smaller mailers, but will not benefit most mailers represented by NNA. NNA Comments at 2. If the promotion is approved, NNA argues for the addition of lower volume thresholds to the incentive structure to include community newspapers in the promotion. *Id.* at 3, 8.

PostCom urges the Commission to reject the Postal Service's Technology Credit Promotion proposal. PostCom Comments at 1. PostCom asserts the Postal Service has turned a promotion designed to incentivize mailers and offset costs into a loan because of the proposed price cap treatment. *Id.* at 1-2. Any value to mailers will be eliminated by subsequent rate adjustments and place mailers in no better position than if the promotion was not offered. PostCom concludes that depending on how the price cap authority is used, certain mailers may be even worse off. *Id.* at 3.

The Joint Commenters do not oppose offering a credit to defray costs and encourage mailers to convert to Full-service IMb, provided that the Postal Service's price cap proposal is not approved. Joint Comments at 1. The Joint Commenters state that the Technology Credit Promotion is no substitute for, and should not affect, existing IMb price incentives. *Id.* at 3-4. They argue that the promotion should not increase future price cap space or shift costs to larger mailers. *Id.* at 4. They contend promotional costs should be recovered through stimulating greater business or inducing customers to shift to products that reduce the Postal Service operational costs. *Id.* at 5-6.

The Public Representative supports the Postal Service's use of incentives, such as the Technology Credit Promotion, to help mailers comply with new rules. PR Comments at 20. However, the Public Representative contends that large mailers already participating in Full-service IMb may not need additional incentives, the credit amounts may be insufficient to justify adoption of Full-service IMb by some mailers, and small mailers are not being provided with any incentive by the promotion. *Id.* at 19-20.

While Valpak does not oppose the Technology Credit Promotion itself, it argues that the promotion is poorly designed to achieve the objective of early Full-service IMb

adoption. Valpak Comments at 2. Valpak contends the regulation requiring Full-service IMb after January 1, 2014 for automation discounts will be a far stronger incentive. *Id.* at 3. Furthermore, mailers who wait until after January 1, 2014 to convert to Full-service IMb are still eligible for the promotion. *Id.* at 5.

Valpak raises a number of fairness and equity issues. *Id.* at 6-8. It contends that providing additional price cap authority may result in higher rates for nonparticipating mailers. *Id.* at 7. Mailers incurring no cost to comply with the program will receive credit, while larger mailers incurring greater costs will receive a disproportionately small credit. *Id.* at 6-7. The Postal Service makes no differentiation for products not covering costs. *Id.* at 7. The Postal Service has not provided assurance concerning what products will bear the burden of the additional price cap authority. *Id.* at 9.

Valpak concludes by noting that the incentive provided by the Technology Credit Promotion may result in permanent, continuing cost savings to the Postal Service. Thus, Valpak argues that if the Postal Service is benefiting from additional work provided by mailers, a reduction in price cap authority, not an increase, is in order. *Id.* at 10.

Commission analysis. The majority of the comments received do not appear to oppose the concept of offering a mailing credit to promote adoption of Full-service IMb. However, commenters criticize the design of the Technology Credit Promotion separate from concerns about the Postal Service's price cap proposal. See, e.g., Calmark Comments at 1-3; NNA Comments at 3, 8; PR Comments at 19-20; Valpak Comments at 3, 6-7.

The Postal Service describes how the Technology Credit Promotion helps achieve the objectives of section 3622(b), and properly takes into account the factors of section 3622(c). Notice at 6-10.

The Commission finds that the Technology Credit Promotion as approved is consistent with the objectives and factors of the Postal Accountability and Enhancement Act (PAEA). Notably, the promotion is consistent with the objective of “maximiz[ing] incentives to reduce costs and increase efficiency” by promoting use of Full-service

Intelligent Mail barcodes. 39 U.S.C. § 3622(b)(1). It is also a demonstration of the Postal Service's pricing flexibility. 39 U.S.C. § 3622(b)(4). The promotion takes into account the factor of promoting "the importance of pricing flexibility to encourage increased mail volume and operational efficiency." 39 U.S.C. § 3622(c)(7). Finally, it furthers the factor specifying the need to increase efficiency and reduce costs. 39 U.S.C. § 3622(c)(12).

The Postal Service asserts the Technology Credit Promotion does not affect workshare discounts. Notice at 10. Apart from volume thresholds, it also asserts that the promotion does not exclude any mailer and will therefore not affect compliance with any preferred price requirement. *Id.* at 11.

The Commission generally concurs with the Postal Service's assertions. The Commission notes that the volume thresholds create exclusion. In particular, mailers that did not meet the volume thresholds in FY 2012 cannot qualify for the promotion in FY 2013 regardless of any actions they may take. This contrasts with other rates of general applicability that are available to all qualified mailers at any given time.

Section 3622 does not preclude the Postal Service from offering credits, promotions, or incentives to mailers, provided they are consistent with title 39, *e.g.*, not offered in an unduly preferential or discriminatory manner. The Postal Service explains the credit will encourage Full-service IMb adoption by offsetting a portion of the investment in hardware and software necessary to employ Full-service IMb. Notice at 1. It states that Full-service IMb usage will allow it to automate the acceptance process, increase visibility of mailings and dynamically process and route pieces, which also improves service performance and measurement of service performance. *Id.* at 2-3. Although commenters raise points concerning the design of the Technology Credit Promotion, no commenters raise concerns regarding the legality of offering a credit to promote early adoption of Full-service IMb. The Commission finds that offering a credit to promote early adoption of Full-service IMb, such as proposed by the Technology Credit Promotion, is consistent with the requirements of title 39.

IV. PRICE CAP TREATMENT

The Postal Service plans to implement the Technology Credit Promotion roughly at the mid-point between two annual market dominant price adjustments. It contends that Commission rules 3010.20 *et seq.* do not appear to address the calculation and use of pricing authority in such a situation. Notice at 4.

The Postal Service proposes to treat the Technology Credit Promotion as a decrease in rates resulting in price authority, and delay the use of that pricing authority until the next market dominant price adjustment. *Id.* at 5, 6. It does not wish to “bank” the amount of the increased authority, if the banked authority could be used only after all previously banked authority is used. *Id.* at 5 n.3.

The Postal Service attaches an Excel file to its Notice which provides a preliminary calculation of price adjustment authority associated with the Technology Credit Promotion as summarized below.

Class of Mail	Pricing Authority (%)
First-Class Mail	0.084
Standard Mail	0.231
Periodicals	0.165
Package Services	0.015

Comments. The Joint Commenters agree with the Postal Service that the Technology Credit Promotion does not fit well within the Commission’s price cap rules. Joint Comments at 6. However, they contend that the price cap issue is more appropriately resolved in a pending rulemaking docket on this subject (Docket No. RM2013-2), and not on the basis of the Technology Credit Promotion docket alone. *Id.* at 7.

The Joint Commenters oppose the creation of any new price cap authority which would turn the credit into a loan through higher future rates either paid for by the recipients of the credit or subsidized by other mailers. *Id.* at 10-11. In the event that

additional cap authority is provided, they contend the authority must sunset promptly after 1 year. *Id.* at 11.

PostCom contends that the Postal Service's proposed price cap treatment is not supported by the Commission's existing rules. PostCom asserts that the promotion appears to be a Type 1-A adjustment. However, PostCom notes the Postal Service rejected this interpretation and has not submitted the information required by rule 3010.14(b). PostCom Comments at 3.

PostCom notes certain flexibility in the Commission's rules regarding submission of the information required by rule 3010.14(b). For example, the Postal Service is not required to submit this information when it elects not to treat a promotional price as a decrease in rates, such as in the "Summer Sale" dockets. *Id.* at 4. However, PostCom observes that the Postal Service did not propose this approach.

The Public Representative contends that there are regulations in place which address the Technology Credit Promotion price cap situation.⁹ PR Comments at 5. He asserts that the Technology Credit creates a new (negative) price, at which no volume was mailed in the prior year. *Id.* He states that the rules require the Postal Service to make reasonable adjustments to the previous year's billing determinants to account for the new price, and provides an example of how this may be estimated. *Id.* at 5-6.

The Public Representative explains that the price cap regulations use a backward weighted volume index. *Id.* at 6. With no historical volumes for the Technology Credit Promotion, he states the Postal Service potentially has two approaches to estimate the prior year's volume. The Postal Service can use available information to determine how much volume would have qualified for the new prices if they had been offered the previous year. Optionally, the Postal Service can estimate the mailers' response to the new price offering.

⁹ As a related matter, the Public Representative contends that if there are price cap implications to the Technology Credit Promotion, there also should be price cap implications from the Postal Service's changing barcode requirements from POSTNET to Basic IMb, and then to Full-service IMb. PR Comments at 12-15. The Commission finds this issue outside the scope of the current docket.

The Public Representative contends that in past decisions the Commission has shown a preference for the historical information approach to estimate the prior year's volume, over the estimation approach. *Id.* at 7. He reviews both approaches and concludes that using historical information may understate price cap authority impact, while estimating the mailers' response may overstate price cap authority impact. *Id.* at 7-10.

Regardless of which approach is used to determine price cap authority, the Public Representative contends that because the Technology Credit Promotion is temporary, any additional price cap authority also should be temporary. *Id.* at 11-12. His concern is to avoid creating permanent price cap authority that could affect prices into the distant future.

Alternatively, the Public Representative argues that for price cap purposes, the Technology Credit Promotion could be treated as a negotiated service agreement or a market test. These types of rates are excluded from price cap calculations. *Id.* at 15-18.

Time Inc. urges the Commission to not approve the Technology Credit Promotion as currently formulated. It contends the proposed price cap treatment does not comply with the annual limitation and banking provisions of the PAEA. Time Inc. Comments at 30. It further asserts that the promotion is not a price adjustment in any sense that is cognizable under the PAEA. *Id.* at 29. If the Commission finds that new rate authority is justified, Time Inc. asserts that an equal amount of price authority should be provided to restore prices to previous levels once the promotion ends. *Id.* at 23.

NNA shares the concerns expressed by other mailers on raising the price cap authority to pay for the promotion. NNA Comments at 3. NNA characterizes the credit as a loan to some mailers which will be repaid, at least in part, by others unable to use the credit. *Id.* at 2. NNA is concerned that the increased price cap may be applied unevenly, possible only to stamped First-Class Mail and origin-entered mail. *Id.* at 12. NNA prefers the cost of the credit be recouped through increased efficiencies that may be realized as a result of conversion to IMb. *Id.* at 3.

Valpak contends that only price changes can be banked under the price cap, and that the Technology Credit Promotion is not a price change. Valpak Comments at 10. Valpak states: “The ratesetting process does not apply to every program that reduces revenue and using any revenue that is forgone for any reason to inflate the price cap perverts the process.” *Id.* at 11-12 (emphasis omitted).

Valpak cites to Commission precedent for treating temporary promotions as having no impact on the price cap. *Id.* at 14-15; see Docket Nos. R2009-3, R2011-1, R2011-5, R2012-6 and R2012-9. Valpak contends the Commission should return to the practice of not permitting revenue forgone from promotions to be included in price cap calculations.¹⁰

Valpak concludes that there is no justification for making any adjustment to the price cap. *Id.* at 19. However if an adjustment is made, regulations require a regular price cap calculation. *Id.*

Commission analysis. The Postal Service seeks to recover revenue equal to the rebates from the Technology Credit Promotion by creating new pricing authority that it could use at the time of the next annual price adjustment. Notice at 5-6. As proposed, the Postal Service’s approach is incompatible with the statutory requirement that unused pricing authority be used in the order it was generated. See 39 U.S.C. § 3622 (d)(2)(C)(iii)(III). In addition, the Postal Service’s proposal is distinguishable from the previous treatments of promotions. Because the Postal Service’s proposal is not consistent with the statutory provisions of 39 U.S.C. § 3622 or the Commission’s rules appearing in 39 C.F.R. part 3010, it is not adopted.

The Postal Service contends that promotions are price changes, and that the Commission has exercised regulatory discretion in considering various price change proposals.¹¹ However, the instant proposal is distinguishable from earlier proposals. First, the Postal Service proposes to create a new form of unused rate authority that is

¹⁰ Valpak Comments at 16. Valpak notes the pending rulemaking Docket No. RM2013-2 which is considering changes to the Commission’s price cap rules. *Id.* at 16-18.

¹¹ Response to CHIR No. 1, question 6.

inconsistent with the statute. It proffers no legal basis to support this new pricing authority.

Second, because the promotion is a one-time occurrence, characterized by some commenters as a loan, the decrease in rates would have to be unwound in a subsequent price adjustment proceeding with an equivalent price increase. This would be a complex task, and the Postal Service provides no suggested means for how that might be accomplished.

Finally, the promotion cuts across all classes of mail. The proposal lacks sufficient details for the Commission (and commenters) to consider fully how it would be implemented.

There are limits to the complexity of new methodology issues that may be considered in a request filed 45 days before the planned implementation date of a proposal. Commenters urge that the complex methodology issues inherent in the Postal Service request are more appropriate for rulemaking proceedings.

The Commission can address certain methodology issues within a 45-day timeframe if the proposals are well supported and provided in the initial request. In this docket, the Postal Service's methodological proposals are complex and not adequately supported. Comments from interested persons and analysis by the Commission had to be deferred to obtain clarifying details on the Postal Service's proposal. Even now, there are no details on the calculation of the price authority in years subsequent to the conclusion of the promotion where the price authority may be reversed.

Discussion of policy issues also should be included in the Postal Service's request, such as the propriety and legality of creating price cap authority in one class of mail, but applying the benefit of the credit to pay postage in another class of mail. The Postal Service can facilitate consideration of issues by fully supporting new proposals in the initial request.

The Commission has promulgated regulations concerning rate adjustments for market dominant products. See 39 C.F.R. part 3010. Of the four rate adjustment procedures specified by these regulations, two are potentially applicable to the

Technology Credit Promotion.¹² The first procedure is for a Type 1-A rate adjustment, which is applicable to the usual rate adjustments for rates of general applicability. See 39 C.F.R. § 3010.3. The second procedure is for a Type 2 rate adjustment, which is applicable to negotiated service agreements. See 39 C.F.R. § 3010.5. The Postal Service did not file its request under either of these procedures. Instead, the Postal Service proposed a new approach that effectively establishes a new and separate “bank” for unused rate authority.

Type 1-A rate adjustments are applicable to rates of general applicability and are considered “usual” rate adjustments. For Type 1-A rate adjustments, if unused rate adjustment authority is created, the requirements for the calculation and future use of the banked rate authority must be followed.

The Postal Service may be eligible for a Type 1-A partial year annual limitation because the instant price adjustment was filed less than a year after the last price adjustment (Docket No. R2013-1). See rule 3010.22. The difference between the annual limitation and price adjustment is calculated to determine the unused rate adjustment authority. Because the proposed price adjustment results in an overall decrease in prices, the entire partial year limitation plus the price decrease is placed in the bank for the Postal Service to use in future price adjustments.

If unused rate adjustment authority is created, the Postal Service shall “use the unused rate adjustment authority from the earliest year such authority first occurred and then each following year.” See 39 U.S.C. § 3622 (d)(2)(C)(iii)(III). This is commonly referred to as the first-in, first-out rule. The Postal Service expressly states it does not want to apply the first-in, first-out rule to any additional price cap authority that may be created by the Technology Credit Promotion due to the negative unused rate adjustment authority from Docket No. R2011-2.¹³ Notice at 5 n.3.

¹² There is no indication that the price adjustments propose to use unused rate adjustment authority (Type 1-B) or are exigency-based (Type 3).

¹³ In Docket No. R2011-2 negative unused rate authority was placed in the bank to reflect a period of deflation where the Postal Service did not file a price adjustment. See Docket No. R2011-2, Order No. 675, Order Reviewing Postal Service Market Dominant Price Adjustments, February 16, 2011.

In the case of the Technology Credit Promotion, commenters express concern that the banked authority created by the Technology Credit Promotion may be recovered from mailers not benefiting from the promotion.¹⁴ The Postal Service has not explicitly indicated its intentions, nor is there any way to ensure how the banked authority may be used in the future. Regardless, the instant promotion will be in effect for at most 1 year. Any additional pricing authority generated in this docket would have to be rescinded when the promotion terminates in 2014.¹⁵

Finally, the Technology Credit Promotion gives an appearance of, but is not clearly, a rate of general applicability. Mailers that did not meet the volume thresholds in FY 2012 cannot qualify for the promotion in FY 2013 regardless of any actions they may take. This contrasts with other rates of general applicability that are available to all qualified mailers at any given time, and weighs against applying the Type 1-A rate adjustment procedures.¹⁶

The Postal Service concludes the Technology Credit Promotion does not fit squarely within the Type 1-A procedures. *Id.*, question 6. The Commission agrees with this conclusion. Based on the discussion above, the Commission will not apply the Type 1-A procedures.

The second potentially applicable existing procedure is a Type 2 rate adjustment, which covers negotiated service agreements, which are rates not of general applicability. The Technology Credit Promotion is not a negotiated agreement; however, it is similar to prior promotions offered by the Postal Service. It is temporary,

¹⁴ There is also a concern that the banked authority would eventually lead to higher rates for the mailers benefiting from the promotion such as to wipe out the effect of providing a credit.

¹⁵ The Postal Service explains only in general terms its proposed approach to this calculation in response to CHIR No. 1, question 7, “revenue forgone from the Technology Credit Promotion for each class of mail will be subtracted from revenue in calculating price cap authority in the upcoming annual price change, and then the same amount will be added back to revenue in calculating price cap authority in the subsequent annual price change.”

¹⁶ This also contrasts with the mobile technology promotions, which were included in the Docket No. R2013-1 price cap calculations. See footnote 21 *infra*.

terminating in May 2014; eligibility is based on prior year's volumes and volume thresholds.¹⁷

Some of the underlying principles from Type 2 procedures have been applied in the case of certain Postal Service promotional rates. In past limited-availability temporary promotions, the Postal Service proposed and the Commission approved the exclusion of the promotions from price cap calculations pursuant to the procedures described in rule 3010.24.¹⁸ In the 2011 Promotion and the 2012 Promotion, the Commission found that this treatment is reasonable as ineligible mailers will not be charged higher rates based on the amount which otherwise would be banked from the program.¹⁹

In contrast to this treatment, when the Postal Service proposed to extend certain promotions into future years (Docket No. R2013-1), the Commission allowed the Postal Service to begin recovering revenue forgone from those promotions.²⁰ In Docket No. R2013-1, the mobile technology promotions became permanent.²¹ If the Postal Service terminates the Docket No. R2013-1 promotions in future years it must treat the termination like a price increase, which triggers the price cap rules.

¹⁷ The Postal Service previously proposed a Saturation and High Density incentive program with restrictions on mailer participation. It also proposed creating additional price cap authority due to the incentive in that docket. This incentive shares certain similarities with the Technology Credit Promotion proposal. The Commission did not allow the additional price cap authority stating that “[m]ailers that are not eligible to participate should not have negative consequences resulting from the initiative.” See Docket No. R2011-1, Order No. 606, Order Approving Market Dominant Classification and Price Changes, and Applying Price Cap Rules, December, 10, 2010, at 18-19.

¹⁸ See Docket No. R2011-5, United States Postal Service Notice of Market-Dominant Price Adjustment, April 12, 2011 (2011 Promotion); Docket No. R2012-6, United States Postal Service Notice of Market-Dominant Price Adjustment, February 21, 2011 (2012 Promotion).

¹⁹ See Docket No. R2011-5, Order No. 731, Order Approving Market Dominant Price Adjustment, May 17, 2011; Docket No. R2012-6, Order No. 1296, Order Approving Market Dominant Price Adjustment, March 26, 2012.

²⁰ Docket No. R2013-1, Order No. 1541, Order on Price Adjustments for Market Dominant Products and Related Mail Classification Changes, November 16, 2012, at 17.

²¹ Mobile-Coupon/Click-to-Call Promotion (March 1, 2013 to April 30, 2013); Emerging Technology Promotion (August 1, 2013 to September 30, 2013); and Mobile Buy-It-Now Promotion (November 1, 2013 to December 31, 2013).

In sum, the Postal Service may offer the Technology Credit Promotion. However, the Commission finds that at this time it is appropriate to exclude the Technology Credit Promotion from price cap calculations.

V. MAIL CLASSIFICATION SCHEDULE

The Postal Service proposed changes to the Mail Classification Schedule (MCS), which describe the Technology Credit Promotion. Notice, Attachment A. The Commission proposed additional changes to the MCS in CHIR No. 1, question 1.

The Commission approves the modified MCS language appearing in the Postal Service's Response to CHIR No. 1, question 1, including the additional mail categories appearing in errata.²² Changes to the MCS appear after the signature of this Order.

VI. ORDERING PARAGRAPHS

It is ordered:

1. The Commission approves the Technology Credit Promotion. The Technology Credit Promotion will be added to the draft Mail Classification Schedule.
2. The Postal Service shall notify the Commission of the promotion's effective dates within 10 days of initiating the Technology Credit Promotion.

²² The Standard Mail Letters product is eligible for the Technology Credit Promotion. It was included in the Postal Service's Notice, but inadvertently omitted from the proposed Mail Classification Schedule language appearing in CHIR No. 1. On May 31, 2013, the Postal Service corrected this oversight by filing errata to the Response to CHIR No. 1, question 1.

The Postal Service, in its errata notice, also adds Standard Mail High Density, and Saturation Letters and Standard Mail High Density and Saturation Flats/Parcels (only High Density Flats price category) as mail eligible for meeting the FY 2012 volume threshold and for future mail eligible for the credit. It further adds Standard Mail High Density and Saturation Flats/Parcels (only High Density Plus Flats price category) as future mail eligible for the credit. The Postal Service restricts Standard Mail Carrier Route to only the Letter and Flats price categories for meeting the FY 2012 volume threshold and for future mail eligible for the credit. See *also* Valpak Comments at 6. These categories of mail were not identified in the Postal Service's Notice. The Commission will provisionally accept these changes subject to any objection filed within 7 days of the date of this order.

3. The Postal Service may not, at this time, claim any additional pricing authority due to the Technology Credit Promotion.

By the Commission.

Shoshana M. Grove
Secretary

1100 First-Class Mail

* * *

1110 Presorted Letters/Postcards

* * *

1110.4 Optional Features

* * *

- Full-service Intelligent Mail Barcode Technology Credit Promotion (TBD to TBD)

* * *

1110.5 Prices

* * *

Full-service Intelligent Mail barcode Technology Credit Promotion (TBD to TBD)

- 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 High Density and Saturation Letters, Standard Mail High Density and Saturation Flats/Parcels (only High Density Flats price category), Standard Mail Carrier Route (Letters and Flats only), Standard Mail Letters, 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).
- A mailer is evaluated for Technology Credit Promotion eligibility by Customer Registration ID (CRID) at each business location. Each CRID is eligible for one (1) Technology Credit.
- The available amount of a Technology Credit is based on a CRID's eligible FY 2012 volume 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 High Density and Saturation Letters, Standard Mail High Density and Saturation Flats/Parcels (only High Density Plus Flats and High Density Flats price categories), Standard Mail Carrier Route (Letters and Flats only), Standard Mail Letters, 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 within the Promotion period.

* * *

1115 Flats

* * *

1115.4 Optional Features

* * *

- Full-service Intelligent Mail Barcode Technology Credit Promotion (TBD to TBD)

* * *

1115.5 Prices

* * *

Full-service Intelligent Mail barcode Technology Credit Promotion (TBD to TBD)

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 High Density and Saturation Letters, Standard Mail High Density and Saturation Flats/Parcels (only High Density Flats price category), Standard Mail Carrier Route (Letters and Flats only), Standard Mail Letters, 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 Promotion 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 CRID's eligible FY 2012 volume 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 High Density and Saturation Letters, Standard Mail High Density and Saturation Flats/Parcels (only High Density Plus Flats and High Density Flats price categories), Standard Mail Carrier Route (Letters and Flats only), Standard Mail Letters, 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 within the Promotion period.

* * *

1200 Standard Mail (Commercial and Nonprofit)

* * *

1215 Carrier Route

* * *

1215.5 Optional Features

* * *

- Full-service Intelligent Mail Barcode Technology Credit Promotion (TBD to TBD)

* * *

1215.6 Prices

* * *

Full-service Intelligent Mail barcode Technology Credit Promotion (TBD to TBD)

- 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 High Density and Saturation Letters, Standard Mail High Density and Saturation Flats/Parcels (only High Density Flats price category), Standard Mail Carrier Route (Letters and Flats only), Standard Mail Letters, 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 Promotion 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 CRID's eligible FY 2012 volume 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 High Density and Saturation Letters, Standard Mail High Density and Saturation Flats/Parcels (only High Density Plus Flats and High Density Flats price categories), Standard Mail Carrier Route (Letters and Flats only), Standard Mail Letters, 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 within the Promotion period.

* * *

1220

Letters

* * *

1220.5 Optional Features

* * *

- Full-service Intelligent Mail Barcode Technology Credit Promotion (TBD to TBD)

* * *

1220.6 Prices

* * *

Full-service Intelligent Mail barcode Technology Credit Promotion (TBD to TBD)

- 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 High Density and Saturation Letters, Standard Mail High Density and Saturation Flats/Parcels (only High Density Flats price category), Standard Mail Carrier Route (Letters and Flats only), Standard Mail Letters, 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).
- A mailer is evaluated for Technology Credit Promotion eligibility by Customer Registration ID (CRID) at each business location. Each CRID is eligible for one (1) Technology Credit.
- The available amount of a Technology Credit is based on a CRID's eligible FY 2012 volume 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
- 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 High Density and Saturation Letters, Standard Mail High Density and Saturation Flats/Parcels (only High Density Plus Flats and High Density Flats price categories), Standard Mail Carrier Route (Letters and Flats only), Standard Mail Letters, 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 within the Promotion period.

* * *

1225 Flats

* * *

1225.5 Optional Features

* * *

- Full-service Intelligent Mail Barcode Technology Credit Promotion (TBD to TBD)

* * *

1225.6 Prices

* * *

Full-service Intelligent Mail barcode Technology Credit Promotion (TBD to TBD)

- 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 High Density and Saturation Letters, Standard Mail High Density and Saturation Flats/Parcels (only High Density Flats price category), Standard Mail Carrier Route (Letters and Flats only), Standard Mail Letters, 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).
- A mailer is evaluated for Technology Credit Promotion eligibility by Customer Registration ID (CRID) at each business location. Each CRID is eligible for one (1) Technology Credit.
- The available amount of a Technology Credit is based on a CRID's eligible FY 2012 volume 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 High Density and Saturation Letters, Standard Mail High Density and Saturation Flats/Parcels (only High Density Plus Flats and High Density Flats price categories), Standard Mail Carrier Route (Letters and Flats only), Standard Mail Letters, 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 within the Promotion period.

* * *

1300 Periodicals

* * *

1305 In-County Periodicals

* * *

1305.5 Optional Features

* * *

- Full-service Intelligent Mail Barcode Technology Credit Promotion (TBD to TBD)

* * *

1305.6 Prices

* * *

Full-service Intelligent Mail barcode Technology Credit Promotion (TBD to TBD)

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 High Density and Saturation Letters, Standard Mail High Density and Saturation Flats/Parcels (only High Density

Flats price category), Standard Mail Carrier Route (Letters and Flats only), Standard Mail Letters, 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 Promotion 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 CRID's eligible FY 2012 volume 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 High Density and Saturation Letters, Standard Mail High Density and Saturation Flats/Parcels (only High Density Plus Flats and High Density Flats price categories), Standard Mail Carrier Route (Letters and Flats only), Standard Mail Letters, 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 within the Promotion period.

* * *

1310 Outside County Periodicals

* * *

1310.5 Optional Features

* * *

- Full-service Intelligent Mail Barcode Technology Credit Promotion (TBD to TBD)

* * *

1310.6 Prices

* * *

Full-service Intelligent Mail barcode Technology Credit Promotion (TBD to TBD)

- 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 High Density and Saturation Letters, Standard Mail High Density and Saturation Flats/Parcels (only High Density Flats price category), Standard Mail Carrier Route (Letters and Flats only), Standard Mail Letters, 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 Promotion 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 CRID's eligible FY 2012 volume 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 High Density and Saturation Letters, Standard Mail High Density and Saturation Flats/Parcels (only High Density Plus Flats and High Density Flats price categories), Standard Mail Carrier Route (Letters and Flats only), Standard Mail Letters, 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 within the Promotion period.

* * *

1400 Package Services

* * *

1415 Bound Printed Matter Flats

* * *

1415.5 Optional Features

* * *

- Full-service Intelligent Mail Barcode Technology Credit Promotion (TBD to TBD)

* * *

1415.6 Prices

* * *

Full-service Intelligent Mail barcode Technology Credit Promotion (TBD to TBD)

- 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 High Density and Saturation Letters, Standard Mail High Density and Saturation Flats/Parcels (only High Density Flats price category), Standard Mail Carrier Route (Letters and Flats only), Standard Mail Letters, 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).
- A mailer is evaluated for Technology Credit Promotion eligibility by Customer Registration ID (CRID) at each business location. Each CRID is eligible for one (1) Technology Credit.
- The available amount of a Technology Credit is based on a CRID's eligible FY 2012 volume 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
- 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 High Density and Saturation Letters, Standard Mail High Density and Saturation Flats/Parcels (only High Density Plus Flats and

High Density Flats price categories), Standard Mail Carrier Route (Letters and Flats only), Standard Mail Letters, 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 within the Promotion period.

* * *

1500 Special Services

* * *

1505 Ancillary Services

* * *

1505.2 Applications and Mailing Permits

* * *

1505.2.1.5 Description

* * *

Permit Imprint Application

a. A fee is charged for application to use a permit imprint as a method of payment.

b. The fee does not apply to mailers who need a new permit imprint authorization in order to participate in the Full-service Intelligent Mail barcode Technology Credit Promotion. (TBD to TBD)