

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

RATE ADJUSTMENT DUE TO)
EXTRAORDINARY OR EXCEPTIONAL) Docket No. R2013-11
CIRCUMSTANCES)

**MOTION OF
MPA—THE ASSOCIATION OF MAGAZINE MEDIA,
ASSOCIATION FOR POSTAL COMMERCE,
THE AMERICAN CATALOG MAILERS ASSOCIATION, INC.,
DIRECT MARKETING ASSOCIATION, INC.,
ALLIANCE OF NONPROFIT MAILERS,
ASSOCIATION OF MARKETING SERVICE PROVIDERS,
MAJOR MAILERS ASSOCIATION,
NATIONAL NEWSPAPER ASSOCIATION,
PRINTING INDUSTRIES OF AMERICA,
QUAD/GRAPHICS, INC., R.R. DONNELLEY,
SOFTWARE & INFORMATION INDUSTRY ASSOCIATION/
AMERICAN BUSINESS MEDIA, AND TIME INC.
FOR ISSUANCE OF THIRD INFORMATION REQUEST
(October 29, 2013)**

Pursuant to 39 C.F.R. § 3001.21(a), the undersigned parties respectfully request that the Presiding Officer issue an Information Request to obtain answers to the questions stated in this motion. See 39 C.F.R. § 3007.3(c); Docket No. RM2008-4, Order No. 203 (April 16th, 2009) at 55 (recognizing the appropriateness of having the Commission retain the discretion to propound information requests proposed by third parties in dockets where the schedule is too tight to allow traditional discovery by intervenors). Each question is followed by an explanation of its importance.

20. For each of the last three price changes of general applicability on competitive products (CP2011-26, CP2012-2 and CP2013-3), please state (a) the overall

average percentage increase in revenue, and (b) estimated total annual dollar increase in contribution.

Explanation for Question 20: 39 U.S.C. § 3622(d)(1)(E) requires the Postal Service to show, *inter alia*, that the added revenue from an above-CPI exigent rate increase is “necessary” for the Postal Service to continue providing an appropriate level of postal services. In deciding whether (and, if so, how much) of the proposed rate increase is “necessary” in this sense, the Commission needs to know how much contribution the Postal Service can reasonably expect to receive from competitive products during the same period. See 39 U.S.C. § 3633(a)(3) (requiring that competitive products collectively cover an appropriate share of the Postal Service’s institutional costs); *cf. Consolidated Rail Corp. v. United States*, 812 F.2d 1444, 1449-1450 (3rd Cir. 1987) (noting requirement that Interstate Commerce Commission, in deciding whether a rate on a market-dominant railroad service is unreasonably high, consider whether rates on competitive services “can be changed to maximize the revenues from such traffic”).

The Postal Service has assumed in this case that that it will receive no increase in contribution at all from a competitive product rate increase during Fiscal Year 2014. This assumption is unrealistic. In recent years, the Postal Service has implemented price increases on competitive products every year, and the average rate of increase has exceeded the increase in the Consumer Price Index. Ignoring the foreseeable increase in contribution from competitive products is likely to overstate the contribution that the Postal Service needs to obtain from market dominant products. The requested information should enable to the parties and the Commission to make a better-informed assessment of this issue.

21. Please update the “Source of Change by Year” analysis in Library Reference USPS-R2010-4R/10, ExigentImpact.xls, tab “Volumes,” to include FY 2013 and FY 2014 before-rates volume projections.

Explanation for Question 21: One of the central issues in this case is whether the losses that the Postal Service seeks to recover through an above-CPI rate increase were really due to the 2007-2009 recession—or to electronic diversion and other trends that do not qualify as extraordinary or exceptional circumstances under 39 U.S.C. § 3622(d)(1)(E). In an attempt to satisfy this standard, Postal Service witness Thress has attributed to the recession essentially 100 percent of the decline in mail volume between 2007 and 2012.

The “Source of Change by Year” analysis sponsored by Mr. Thress ends with data for Fiscal Year 2012. Extending the analysis to the Postal Service’s Fiscal Years 2013 and 2014 volume projections is likely to shed light on the credibility of the Postal Service’s analysis in at least two ways. First, it would be useful to know whether his methodology assigns even larger losses to the 2007-2009 recession in FY 2013 and FY 2014 than in FY 2012. Second, if his methodology shows that the losses attributed to the recession declined in FY 2013 and are expected to decline in FY 2014, this information would be useful in assessing the Postal Service’s proposal to have the exigent rate increases remain in effect without any termination date.

22. This question refers to Library Reference R2010-4R/8, FY2014BR.CompSumRpt.BR—Final.xls, “ComponentSummary”, Rows 234 and 248.
- a. Please identify the major factors that resulted in “Miscellaneous Support” costs increasing from \$20.281 million in FY 2013 to \$320.281 million in FY 2014 (Before Rates).
 - b. Please identify the major factors that resulted in “Workers Compensation” costs increasing from \$421.134 million in FY 2012 to \$2,093.817 million in FY 2014 (Before Rates).
 - c. For each major factor identified in response to parts a and b, please identify the dollar amount of costs that the Postal Service has attributed to that factor in FY 2014, and provide all data and analyses on which the Postal Service relies.

Explanation for Question 22: The Postal Service’s workpapers project large increases in these two cost categories from FY 2013 to FY 2014, the Postal Service’s effective test year in this docket. Because 39 U.S.C. § 3622(d)(1)(E) limits the Postal Service to recovery of costs that are “reasonable” and “necessary,” the parties and the Commission are entitled to know the nature of and assumptions underlying these purported costs.

23. This question refers to Table 5.1 U.S. Advertising Spending Growth by Medium, 2010-2012 (Percent Growth from Prior Year) on page 39 of the FY 2012 Household Diary Study.
- a. Please state in dollars the U.S. annual advertising spending by medium underlying this chart.
 - b. Please provide annual advertising spending by medium in the same format for 2007, 2008, and 2009.

Explanation for Question 23: The Postal Service attributes a 28.3 percent loss in Standard Mail volume from FY 2007 to 2012 to the 2007-2009 recession. The

requested information will allow a more informed evaluation of how much of the reduction in Standard Mail volume during this period relates to overall declines in advertising spending from FY 2007 to FY 2012, and how much is due to other trends in the advertising market.

CONCLUSION

Wherefore, the undersigned parties respectfully request that the Presiding Officer issue an Information Request to obtain answers to the questions stated in this motion.

Respectfully submitted,

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