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

NOTICE OF MARKET-DOMINANT PRICE ADJUSTMENT

Docket No. R2015-4

# UNITED STATES POSTAL SERVICE NOTICE OF MARKET-DOMINANT PRICE ADJUSTMENT

(January 15, 2015)

Pursuant to section 3622 of title 39 and 39 C.F.R. part 3010, the United States

Postal Service hereby provides notice that the Governors have authorized the Postal

Service to adjust the prices for its market-dominant products. This adjustment will take

effect at 12:01 a.m. on April 26, 2015, and affects all the market-dominant classes.

In this Notice, the Postal Service provides the information required by Rule 3010.14, including a schedule of the new prices set forth in Attachment A.<sup>1</sup> The Postal Service certifies that it will inform customers of these price adjustments, as required by Rule 3010.14(a)(3). In addition to this Notice, the Postal Service is publishing notice of these price changes on USPS.com, the Postal Explorer website, and the *DMM News Advisory*, as well as issuing a Press Release announcing the changes. Thus, widespread notice of these prices is being given prior to their planned implementation date. Furthermore, the Postal Service plans to provide public notice of these price changes in future issues of the *PCC Insider*, *Postal Bulletin*, and *Federal Register*.

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<sup>&</sup>lt;sup>1</sup> Attachment A, Part I also contains the proposed Mail Classification Schedule changes. The prices in Part I reflect the base prices without the Exigent surcharges. Attachment A, Part II contains the Mail Classification Schedule changes with prices that include the Exigent surcharges.

Pursuant to Rule 3010.14(a)(4), the Postal Service identifies Mr. Steve Monteith as the official who will be available to provide responses to queries from the Commission. Mr. Monteith's contact information is as follows:

Mr. Steve Monteith Manager, Pricing 475 L'Enfant Plaza S.W. Room 4136 Washington, D.C. 20260-5015

The remainder of this Notice is structured as follows. In Part I, the Postal Service discusses its compliance with the price cap, which limits the average percentage price increase for each class of mail. In Part II, the Postal Service describes several temporary promotions that it is proposing as part of this filing. In Part III, the Postal Service provides a more detailed discussion of its prices, including the "workshare discounts" associated with the new prices. It also explains how the prices are consistent with the objectives and factors of section 3622, and the preferential pricing requirements of section 3626. In Part IV, the Postal Service describes the changes to the Mail Classification Schedule (MCS) related to this price change.

# I. Price Cap Compliance

In compliance with Rules 3010.14(b)(1) through (4), the following section describes the applicable CPI-U price cap, the amount of unused price adjustment authority available for each class of mail, the percentage change in prices for each class of mail, and the amount of any new unused price adjustment authority generated by this price change.

# A. Inflation-Based Price Adjustment Authority

Based on the most recently available data from the Bureau of Labor Statistics, the Postal Service has inflation-based price adjustment authority of 1.966 percent for all mail classes. See Attachment C. This is based on the Consumer Price Index – All Urban Consumers, U.S. All Items (the "CUUR0000SA0" series), and is in accordance with the calculated percentage currently provided on the Commission's website. <sup>2</sup>

# B. Unused Price Adjustment Authority

The existing unused rate authority, by class, is provided below.<sup>3</sup>

Table 1
Available Unused Price Adjustment Authority,
By Mail Class

Class	Unused Authority (%)
First-Class Mail®	0.000
Standard Mail®	0.000
Periodicals	0.000
Package Services	0.000
Special Services	0.000

# C. Overall Price Adjustment Authority

In accordance with 39 C.F.R. § 3010.28, the Postal Service can use up to two percent of unused price adjustment authority. At this time there is no unused price adjustment authority. Thus, the Postal Service is authorized to raise the prices for each class by the following percentages:

<sup>&</sup>lt;sup>2</sup> Since this is the first time that a market-dominant price case has been filed more than 12 months after the previous case, the Postal Service consulted with Commission staff to confirm that the calculations in Attachment C appropriately applied the procedures outlined in 39 C.F.R. § 3010.21.

<sup>&</sup>lt;sup>3</sup> Order No. 1926: Order Granting Exigent Price Increase (hereinafter "Oder No. 1926"), PRC Docket No. R2013-11 (Dec. 24, 2013), at 191; Order No. 2319: Order on Exigent Surcharge Removal, PRC Docket No. R2013-11 (Jan. 12, 2015), at 10.

Table 2
Price Adjustment Authority By Mail Class

Class	Price Adjustment Authority <sup>1</sup> (%)
First-Class Mail	1.966
Standard Mail	1.966
Periodicals	1.966
Package Services	1.966
Special Services	1.966

<sup>&</sup>lt;sup>1</sup> See Attachment C.

#### D. The New Prices

The cap compliance calculation, as defined by the Commission, uses a set of fixed weights applied to the current and new prices to construct a weighted average price change for each market-dominant class. These fixed weights are the most recent twelve months of Postal Service billing determinants, with adjustments that are supported and reasonable. For each of the five classes (First-Class Mail, Standard Mail, Periodicals, Package Services, and Special Services), the resulting average price change must be less than or equal to the Postal Service's available price adjustment authority in Table 2.

The new prices are in Attachment A, Part I. For each class, the Postal Service has prepared separate workpapers demonstrating how these prices comply with the price cap. These workpapers are designated as follows:

USPS-LR-R2015-4/1	First-Class Mail Workpapers
USPS-LR-R2015-4/2	Standard Mail Workpapers
USPS-LR-R2015-4/3	Periodicals Workpapers
USPS-LR-R2015-4/4	Package Services Workpapers

USPS-LR-R2015-4/5 Special Services Workpapers

USPS-LR-R2015-4/NP1 First-Class Mail International Workpapers

Each set of workpapers has a Preface that explains the contents in detail. The Preface in each of the first five workpapers provides an overview, a discussion of any necessary adjustments to the billing determinants for the four quarters ending Q4 FY 2014, and an explanation of the revenue calculations.

# E. Percentage Change by Mail Class

As demonstrated in USPS- R2015-4/1 through 5, the prices for each class comply with the annual limitation of price adjustment authority available to the Postal Service. The percentage change by class is as follows:

Table 3 2015 Price Change Percentage by Mail Class

Class	Percent Change
First-Class Mail	1.949
Standard Mail	1.886
Periodicals	1.965
Package Services	1.964
Special Services	0.234

# F. Unused Pricing Authority Resulting From this Price Change

For First-Class Mail, Standard Mail, Periodicals, Special Services, and Package Services, this price change adds to the unused pricing authority resulting from prior market-dominant price changes under the price cap. The Postal Service calculates the

unused price adjustment authority that it will have following this price change as follows:<sup>4</sup>

Table 4
Unused Pricing Authority Available Following this Price Change

Class	Percentage Points
First-Class Mail	
R2013-11[1]	0.000
R2015-4[2]	0.017
Total	0.017
Standard Mail	
R2013-11 [1]	0.000
R2015-4[2]	0.080
Total	0.080
Periodicals	
R2013-11 [1]	0.000
R2015-4 [2]	0.001
Total	0.001
Package Services	
R2013-11 [1]	0.000
R2015-4 [2]	0.002
Total	0.002
Special Services	
R2013-11	0.000
R2015-4[2]	1.732
Total	1.732

<sup>[1]</sup> Table 1.

#### II. Promotions

As was the case in Docket No.R2013-10, in this filing the Postal Service seeks approval for its promotions to be held during the upcoming calendar year. By seeking approval for four promotions in this price adjustment, the Postal Service continues to

<sup>[2]</sup> Cap Calculation worksheets (USPS-LR-R2015-4/1 through 5).

<sup>&</sup>lt;sup>4</sup> To the extent that the calculated percentage change for any class is revised during the course of this proceeding from what has been calculated by the Postal Service in this Notice, the Postal Service notes that the unused price adjustment authority should be adjusted, regardless of the figures set forth in this Table.

address a primary concern raised by customers in the past: that they did not have sufficient time to fully participate in the promotions.<sup>5</sup> Each promotion is outlined below and described in more detail in Attachment D.

## May - July 2015:

Earned Value Reply Mail Promotion: This promotion is designed to build upon the success of the Earned Value Reply Mail Promotion the last two years by continuing to encourage mailers to use First-Class Mail as a primary reply mechanism for their customers. Business Reply Mail (BRM) and Courtesy Reply Mail (CRM) pieces continue to decline along with other Single-Piece First-Class Mail. This promotion encourages mailers to keep the BRM/CRM envelopes and cards in their outgoing mail pieces by providing them with a financial benefit when their customers mail back reply pieces.

#### May – October 2015:

Advanced and Emerging Technology Promotion: This promotion will build upon previous promotions and continue our strategy of encouraging mailers to integrate direct mail with mobile technology or new advances in print. To participate in this promotion, the mailpiece must incorporate advanced print technology such as innovations in paper and ink, the use of standard NFC technology or an "advanced" or "enhanced" augmented reality experience allowing the recipient to engage in an interactive experience. An advanced augmented reality experience uses elements such as 3D animation and gamification. Other advanced technologies with similar

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<sup>&</sup>lt;sup>5</sup> See, e.g. Comments of the American Catalogue Mailers Association, PRC Docket No. R2011-5 (Apr. 29, 2011, at 1; Comments of Quad/Graphics Inc., PRC Docket No. R2011-5 (May 3, 2011), at 3.

functionalities and platforms to NFC and augmented reality may be considered on a case-by-case basis.

#### June – November 2015:

• <u>Color Transpromo Promotion</u>: In 2014, the USPS introduced this promotion to encourage mailers of bills and statements to use color messaging to create a greater connection to and response from customers. The USPS intends to continue this approach to grow the value of First-Class Mail and encourage mailers to invest in color print technology. This promotion will provide an upfront postage discount to mailers who use dynamic/variable color print for marketing messages on their bills and statements. The requirements will push mailers to find more advanced and dynamic ways to use color in transactional mail as a revenue opportunity.

#### July - December 2015:

Mail Drives Mobile Engagement Promotion: Previous promotions, such as the
Holiday Mobile Shopping promotion, the Mobile Buy it Now promotion and the
Mail Drives Mobile Commerce promotion have increased interest and use of
mobile technologies in direct mail. The 2015 promotion will build on those and
demonstrate how direct mail, combined with mobile technology, continues to be a
convenient method for consumers to engage and interact with their printed
mailpieces.

In this price adjustment, the Postal Service has calculated the price cap impact of the termination of the 2014 promotions, and the initiation of the 2015 promotions, consistent with rule 3010.23. Because this year's promotions are longer than last year's promotions, the net result is additional cap space of \$27 million in First-Class Mail, and \$18 million in Standard Mail. See USPS-LR-R2015-4/1 and 2.

# III. Description of the Prices<sup>6</sup>

In compliance with Rules 3010.14(b)(7) and (8), the Postal Service in this section discusses 1) how its planned prices "help achieve" the objectives of section 3622(b) and "properly take into account" the factors of section 3622(c); and 2) how its planned prices are consistent with sections 3626, 3627, and 3629. In addition, the Postal Service discusses the workshare discounts included within the planned prices, as required by Rules 3010.14(b)(5) and (6).

# A. Objectives and Factors—Rule 3010.14(b)(7)

The objectives of section 3622(b) are as follows:

- "(b) Objectives—Such system shall be designed to achieve the following objectives, each of which shall be applied in conjunction with the others:
- (1) To maximize incentives to reduce costs and increase efficiency.
- (2) To create predictability and stability in rates.
- (3) To maintain high quality service standards established under section 3691.
- (4) To allow the Postal Service pricing flexibility.

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<sup>&</sup>lt;sup>6</sup> In accordance with Order No. 2319, both the general requirements of 39 U.S.C. § 3622, and the specific workshare discount requirements, are addressed in relation to the base rates and the added inflation-based adjustments proposed herein. See Order No. 2319: Order on Exigent Surcharge Removal, PRC Docket No. R2013-11 (Jan. 12, 2015), at 9.

- (5) To assure adequate revenues, including retained earnings, to maintain financial stability.
- (6) To reduce the administrative burden and increase the transparency of the ratemaking process.
- (7) To enhance mail security and deter terrorism.
- (8) To establish and maintain a just and reasonable schedule for rates and classifications, however the objective under this paragraph shall not be construed to prohibit the Postal Service from making changes of unequal magnitude within, between, or among classes of mail.
- (9) To allocate the total institutional costs of the Postal Service appropriately between market-dominant and competitive products."<sup>7</sup>

These objectives underlie Congress' mandate that there be a new, "modern system for regulating rates and classes for market-dominant products," to replace the prior ratemaking system of the Postal Reorganization Act (PRA). 39 U.S.C. 3622(a). These principles are largely achieved through the design of the new regulatory system itself, rather than through the particulars of any one pricing change made pursuant to that system.

In this Notice, the Postal Service indicates its intention to increase its prices by the percentages specified in Table 3. Any price change made pursuant to the price cap structure set forth by section 3622(d) "helps achieve" many of these objectives (e.g., Objective 1, Objective 2, Objective 8).

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<sup>&</sup>lt;sup>7</sup> For ease of reference, each objective is henceforth referred to according to its placement in section 3622(b). For example, section 3622(b)(1) is referred to as Objective 1. A similar convention is used with respect to the "factors" of section 3622(c) below.

Objective 1 states that the new regulatory system should "maximize incentives to reduce costs and increase efficiency." Objective 2 requires that the regulatory system create "predictability and stability" in prices. These objectives are fulfilled by the Postal Service's provision of advance notice of increases to prices on a predictable basis and consistent with inflation.

The objective that the pricing process be transparent (Objective 6) is fundamental to the new regulatory environment, and is achieved through the entirety of the regulatory filings made by the Postal Service throughout a year. In this Notice, the Postal Service demonstrates how its planned price adjustments comply with the price cap limitation, the workshare standards of section 3622(e), and the requirements of section 3626. This clearly meets the objective that the pricing process be transparent. Furthermore, the FY2014 Annual Compliance Report (ACR), filed December 29, 2014, furnishes to the public considerable data concerning market dominant products' costs, revenues, and service quality.

In addition to the objectives specified and discussed above, section 3622(c) enumerates fourteen factors, or considerations, that must be taken into account:

- "(c) Factors—In establishing or revising such system, the Postal Regulatory

  Commission shall take into account—
- (1) the value of the mail service actually provided each class or type of mail service to both the sender and the recipient, including but not limited to the collection, mode of transportation, and priority of delivery;
- (2) the requirement that each class of mail or type of mail service bear the direct and indirect postal costs attributable to each class or type of mail service through

- reliably identified causal relationships plus that portion of all other costs of the Postal Service reasonably assignable to such class or type;
- (3) the effect of rate increases upon the general public, business mail users, and enterprises in the private sector of the economy engaged in the delivery of mail matter other than letters;
- (4) the available alternative means of sending and receiving letters and other mail matter at reasonable costs;
- (5) the degree of preparation of mail for delivery into the postal system performed by the mailer and its effect upon reducing costs to the Postal Service;
- (6) simplicity of structure for the entire schedule and simple, identifiable relationships between the rates or fees charged the various classes of mail for postal services;
- (7) the importance of pricing flexibility to encourage increased mail volume and operational efficiency;
- (8) the relative value to the people of the kinds of mail matter entered into the postal system and the desirability and justification for special classifications and services of mail;
- (9) the importance of providing classifications with extremely high degrees of reliability and speed of delivery and of providing those that do not require high degrees of reliability and speed of delivery;
- (10) the desirability of special classifications for both postal users and the Postal Service in accordance with the policies of this title, including agreements

between the Postal Service and postal users, when available on public and reasonable terms to similarly situated mailers, that—

#### (A) either—

- (i) improve the net financial position of the Postal Service through reducing Postal Service costs or increasing the overall contribution to the institutional costs of the Postal Service; or
- (ii) enhance the performance of mail preparation, processing, transportation, or other functions; and
- (B) do not cause unreasonable harm to the marketplace.
- (11) the educational, cultural, scientific, and informational value to the recipient of mail matter;
- (12) the need for the Postal Service to increase its efficiency and reduce its costs, including infrastructure costs, to help maintain high quality, affordable postal services;
- (13) the value to the Postal Service and postal users of promoting intelligent mail and of secure, sender-identified mail; and
- (14) the policies of this title as well as such other factors as the Commission determines appropriate."

Below, the Postal Service discusses its specific price adjustments by class, including how they comply with the policy considerations set forth in section 3622.8 When considering these price changes, it is important to consider the long term, rather than simply focusing on this year's prices in isolation.

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<sup>&</sup>lt;sup>8</sup> Workshare discounts, which implicate Factor 5 and Factor 12, are discussed extensively in Part III(c) of this Notice.

# 1) Flats Sequencing System Pricing

The Flats Sequencing System (FSS) is a critical element in the Postal Service's strategic operations plan. FSS machines provide for the automated processing of flat-sized mailpieces, sequencing them into delivery order, and avoiding labor-intensive manual sortation by carriers. The Postal Service has installed FSS machines in the mail processing plants that process high volumes of flat-sized mailpieces.

In order to maximize the efficiency gains from the FSS machines, the Postal Service implemented three FSS elements with Docket No. R2013-10. First, we required FSS preparation for all flat-shaped mail pieces destinating in FSS zones. This preparation had previously been optional. Second, we implemented FSS pricing for presorted flat-shaped pieces in Standard Mail, Outside County Periodicals, and Bound Printed Matter Flats that destinate in FSS zones. The FSS prices were designed to minimize changes in postage for flats mailers. Third, we introduced discounts for mail on FSS scheme pallets that are entered at the location of the destinating FSS machine (DFSS).

Entry of mail at DFSS locations avoids transportation costs, reduces/eliminates bundle sorting, and improves service. The Postal Service therefore is taking additional steps in this filing to encourage DFSS entry. This year, we are proposing a separate price structure for FSS that provides the lowest combined price to FSS pieces in scheme bundles on scheme containers. To accomplish this, we propose eliminating some price cells, and adding some new price cells, within Standard Mail (High Density and Saturation Flats/Parcels, Carrier Route, and Flats), Periodicals (Outside County), and Package Services (Bound Printed Matter – Flats). In addition, we propose revising

regulations to permit mailers to enter FSS scheme sacks and tubs at DFSS sites along with the existing scheme pallet entry. We also propose pricing within BPM to encourage mailers to enter FSS scheme containers at DFSS sites. Further, we propose revising regulations to support High Density and High Density Plus flats when they utilize FSS prep for automation compatible pieces. Lastly, we propose permitting mailers to enter FSS non-scheme or facility containers at the DFSS sites.

These strategies are critical, as the containerization of FSS mail on FSS scheme pallets enables such mail to completely bypass bundle sortation operations and be fed directly into the FSS operations. The preparation of FSS Facility pallets also improves service by allowing the Postal Service to quickly identify FSS mail so that it can undergo necessary bundle sortation and be made available for FSS processing without delay. The FSS structure for each affected category of mail is discussed in more detail below.

# 2) Carrier Route Bundle and Container Pricing for Non-FSS Flats

A majority of the non-FSS carrier route bundles in both Standard Mail and Periodicals are entered at postal facilities on 3-Digit pallets. In addition, the existing 5-Digit/Carrier Route pallets contain both Carrier Route and 5-Digit bundles. Both the 3-Digit and 5-Digit/Carrier Route pallets are more expensive to process than pallets with only Carrier Route bundles. In order to encourage mailers to prepare more direct pallets, we propose a new price for Standard Mail Flats prepared in Carrier Route Bundles on 5-Digit pallets. This will be the lowest price available for Non-FSS Standard Mail Flats. For Periodicals, we also want to encourage mailers to prepare more direct pallets. Accordingly, we have priced Carrier Route bundles entered on Carrier Route

pallets with the lowest price available for Non-FSS regular Periodicals. The details for each affected category of mail are discussed below.

3) Treatment of Exigent Surcharge for New and Merged Cells In Order No. 1926, the Commission approved the Postal Service's request for an exigent price increase due to the financial harm caused by the Great Recession of 2008-2009.9 Rather than including the approved price increase in the base rates, the Commission applied surcharges to each rate cell. 10 Though the application of specific exigent surcharges to each rate cell may have simplified the tracking of exigent surcharge revenue, it has complicated the otherwise routine task of adding or redesigning rate cells. In short, it is not clear what exigent surcharge should be applied to price cells that did not exist at the time of the exigent price case.

In the instant case, this issue arises in the Standard Mail, Periodicals, Package Services, and Special Services classes, largely (though not exclusively) due to the Postal Service's FSS-related pricing proposals. Since certain pricing relationships would be broken if an exigent surcharge were applied to certain rate cells, but not to others, the Postal Service applied the existing surcharges to new price cells, when appropriate. The general goal is for the overall Exigent surcharge to generate the same amount of surcharge revenue as before the new cells were created.

In some cases, new cells result from the combination of existing price cells. In those cases, the Postal Service creates blended surcharges. To the greatest extent possible, these blended surcharges are based on the average of the surcharges that were paid under the old rates, weighted by the volumes of the old cells. In other cases,

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<sup>&</sup>lt;sup>9</sup> Order No. 1926, at 193. <sup>10</sup> *Id.* at 181.

the new cells result from the splitting of existing cells into two components. In those cases, the Postal Service applies the original surcharge to each of the new cells.

Finally, when a new cell reflects an entirely new offering (not based on volumes from old cells), then no exigent surcharge is applied to the cell. Also, when the goal is to lower the price for an existing cell to zero, then the surcharge for that cell also is eliminated.

The exigent surcharges affected by various rate proposals in this docket are listed in Attachment E.

## 4) First-Class Mail

# Overview:

First-Class Mail has five products: Single-Piece Letters/Postcards, Presorted Letters/Postcards, Flats, Parcels, and Outbound Single-Piece First-Class Mail International. The prices for these products change as follows:

Table 5
First-Class Mail Product Price Change

Product	Percent Change
Single-Piece Letters/Postcards	0.623
Presort Letters/Postcards	2.417
Flats	2.438
Parcels	10.180
FCM International	2.762
Total First-Class Mail	1.949

The Postal Service is maintaining the price of a stamp for a one-ounce single-piece stamped letter at 47 cents, and increasing the price of metered letters by one-half cent to 46.5 cents. The overall 0.623 percent price increase for Single-Piece Letters/Postcards reflects a small increase in metered letters, an increase in the additional ounce prices for single-piece letters from 20 cents to 21 cents, and a onecent increase in the price of single-piece cards from 33 cents to 34 cents

The instant price change will keep the same per-piece price differential between letters and flats. The price differential between single-piece letters and single-piece flats of 47 cents maintains the simplicity of the price structure, since the gap is equivalent to the price of a single-piece first-ounce stamp (Factor 6). The price differential between letters and parcels will increase from \$1.76 to \$1.98 (Factor 1, Factor 2). The only First-Class Mail parcels remaining on the market-dominant side are retail First-Class Mail parcels. The adjusted price for a one-to-three-ounce First-Class Mail Retail Single-Piece parcel increases to \$2.45.

#### Metered Mail:

Metered Single-piece letters are defined as single-piece letters with postage affixed by meter, information-based indicia (IBI), permit imprint, or pre-cancelled stamps. Thus, only pieces bearing non-cancelled stamps or postal validation imprint (PVI) indicia will remain in the Stamped mail category. 11 Prices for Metered Singlepiece letters will increase by half a cent from 46 to 46.5 cents. This price is the singlepiece benchmark for the calculation of First-Class Mail Automation Letter prices.

#### Presort Letters/Postcards:

<sup>&</sup>lt;sup>11</sup> PVI includes payment indicia printed out by the Automated Postal Center (APC) equipment.

The prices in Presort Letters/Postcards reflect the costs that the Postal Service avoids when customers presort or otherwise prepare their mail for automation processing (Factor 5). The overall increase for the Presort Letters/Postcards product is above the overall average increase for First-Class Mail. The unit price for the least presorted automation category increases by \$0.004 while the other categories increase by \$0.01. The price increases for Mixed AADC, AADC, 3-Digit, and 5-Digit Automation Presort Letters are 1.0 percent, 2.6 percent, 2.6 percent and 2.7 percent, respectively. The Postal Service continues to price AADC and 3-Digit Letters and Cards at the same level. Also, the free second-ounce continues for all Presort First-Class Mail letters (Non-automation and Automation).

Table 6
First-Class Mail First-Ounce Prices

	Current	New	Change	Percent Change
Stamped Single-Piece	\$0.47	\$0.47	\$0.00	0.0
Metered Single-Piece	\$0.46	\$0.465	\$0.005	1.1
MAADC Automation	\$0.415	\$0.419	\$0.004	1.0
AADC Automation	\$0.389	\$0.399	\$0.01	2.6
3-Digit Automation	\$0.389	\$0.399	\$0.01	2.6
5-Digit Automation	\$0.366	\$0.376	\$0.01	2.7

#### Flats:

The overall increase for Flats is 2.438 percent, due mainly to changes in presorted flats and the increase in the additional ounce price from 20 to 21 cents. The first-ounce price for single-piece flats remains unchanged at 94 cents. Prices for Non-automation Presort flats increase by 3.0 percent. The price increases for the Mixed ADC, ADC, 3-Digit, and 5-Digit automation flats categories, are 0.0 percent, 1.7 percent, 4.7 percent and 4.5 percent, respectively. The 3-Digit and 5-Digit Automation Flats will

receive an above average increase. The reason for the higher than average increases for these categories is to: 1) reduce one workshare discount passthrough (3-Digit Automation Flats) to 100 percent; and 2) bring another passthrough (5-Digit Automation Flats) closer to 100 percent. Workshare discounts and passthroughs are discussed in more detail in section C below.

#### Parcels:

First-Class Mail parcels receive a 10.18 percent increase, which is significantly higher than the overall increase for First-Class Mail. As reported in the ACR filing (Public\_FY14CRA.xls) the cost coverage for First-Class Parcels is 108.86 percent. Even though the cost coverage is now above 100 percent, it is fairly low by First-Class Mail standards. The 10.18 percent price increase is aimed at both improving this product's cost coverage and ensuring that it does not fall back below 100 percent. <sup>12</sup>

#### First-Class Mail International:

For Outbound Single-piece First-Class Mail International (FCMI), the Postal Service is increasing prices by 4.399 percent overall, which is significantly greater than the First-Class Mail average of 1.949 percent. A price adjustment of this magnitude is necessary to maintain contribution and improve cost coverage for FCMI Letters and Flats (Factor 2, Factor 12).

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<sup>&</sup>lt;sup>12</sup> On November 14, 2014, the Postal Service filed a request to transfer First-Class Mail Parcels to the competitive product list. *See* Docket No. MC2015-7. Since the Commission has not issued a ruling in that case as of the date of the filing of this notice, the Postal Service has proposed CPI prices for the First-Class Mail Parcels product. Should the Commission issue an order approving the transfer during the pendency of the instant proceeding, the Postal Service would file amended CPI prices for First-Class Mail to reflect the removal of First-Class Mail Parcels from the market-dominant product list.

## Adjustments to the Billing Determinants:

The following two adjustments have been made to the Fiscal Year billing determinants of First-Class Mail:

- Single-piece letter volumes for quarters 1 and 2 were distributed using the distribution for quarters 3 and 4. Introduction of metered mail and various categories of single-piece residual mail was fully in effect during the last two quarters; and
- 2. DVD volumes are reported separately for this filing.

# 5) Standard Mail

#### Overview:

Standard Mail consists of seven products: Letters; Flats; Parcels; High Density and Saturation Letters; High Density and Saturation Flats and Parcels; Carrier Route; and Every Door Direct Mail - Retail. Within this class, the prices of Standard Mail products increase as follows:

Table 7
Standard Mail Product Price Changes

Product	Percent Change
Letters	1.835
Flats	2.466
Parcels	9.794
High Density / Saturation Letters	2.027
High Density / Saturation Flats and Parcels	1.557
Carrier Route	1.415
Every Door Direct Mail – Retail	4.761
Overall	1.886

Significant price/classification proposals are discussed in more detail below.

## **FSS** Pricing for Flats:

In 2015, the Postal Service is proposing new FSS pricing for Flats. The proposed prices create new FSS Scheme and Non-Scheme price categories for L-F-P flat pieces. Unlike the current rate structure, FSS pricing categories will no longer exist for Carrier Route, High Density, or High Density plus categories. In their place, a new 5-digit Carrier Route Pallet price is created. By putting all of the FSS volumes in the same price cells, this will allow the Postal Service to send consistent pricing incentives to reward mailers that prepare and enter flats that are most advantageous to the Postal Service.

Flats pieces receiving the new FSS prices must be prepared on FSS Scheme Pallets, FSS Non-Scheme Pallets, or in other FSS containers. The prices for the new FSS categories were created by blending (i.e. taking a weighted average of) the prices paid by the FSS pieces prior to this structural change. In other words, if 70 percent of the new cell's combined volume was from current cell A volume, and 30 percent was from current cell B volume, then the price would be 70 percent of cell A's price, plus 30 percent of cell B's price.

Though this approach was used wherever possible, adjustments needed to be made when the blending resulted in undesirable pricing relationships. However, such adjustments were made in a manner that ensured that the overall price increase was the same as it would have been had the naturally blended prices been used. The volumes used to blend the rates, and the blended rate calculations themselves, appear

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<sup>&</sup>lt;sup>13</sup> For instance, a desirable pricing relationship would have DSCF prices being lower than DNDC prices, and DNDC prices being lower than origin prices.

on "FSS Blended Rates Auto" and "FSS Blended Rates NonAuto" in CAPCALC-STD-R2015-4.xlxs.

# Exigent Surcharge Updates

In Docket No. R2013-11, exigent surcharge amounts were approved for each price cell in Standard Mail. In the instant docket, some of these price cells are being combined to create new price cells. In those cases, a weighted average of the surcharges for the current price cells is computed to retain the surcharge approach adopted by the Commission in Docket No. R2013-11. The weighted average is based on the relative volumes for the current price cells, derived from the billing determinants. For example, if 40 percent of the new cell's combined volume was from current cell A volume, and 60 percent was from current cell B volume, then the surcharge would be 40 percent of cell A's surcharge, plus 60 percent of cell B's surcharge. A list of all new Standard Mail rate cells, and their corresponding exigent surcharges, is presented in Attachment E.

#### Standard Mail Flats:

In this price adjustment, Flats receive an above average price increase. In its 2012 Annual Compliance Report, the Postal Service proposed a three year schedule of above-average CPI increases for Flats, 14 which the Commission approved in its 2012 Annual Compliance Determination. 15 In that schedule the Postal Service agreed to increase Standard Flats prices by at least CPI x 1.05 in 2014, 2015, and 2016. The

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<sup>&</sup>lt;sup>14</sup> Annual Compliance Determination Report Fiscal Year 2012, PRC Docket No. ACR2012 (March 28, 2013), at 19. <sup>15</sup> *Id*. at 22.

increase proposed in this filing more than complies with that schedule, by increasing flats by CPI x 1.254 (Factor 2).

## Standard Mail Parcels:

In this price adjustment, Parcels receive an above average price increase of 9.979 percent. The cost coverage for Parcels in FY 2014 was 66.3 percent. This price adjustment continues the Postal Service's previously announced plan to move this product toward full cost coverage (Factor 2), while also recognizing that Standard Mail parcels are underpriced in the marketplace (Factor 4).

#### 3.3 to 3.5 ounce Letters:

The Postal Service is starting the process of simplifying Standard Mail Letter prices by focusing on the pound prices for letters weighing between 3.3 and 3.5 ounces. System improvements over the years have minimized the need for this distinct category, allowing the Postal Service to price Standard Mail Letters uniformly up to 3.5 ounces (Factor 6). This change will also have the added benefit of simplifying the mailing statement by allowing the Postal Service to eliminate several pages, which currently support this low volume category.

The elimination of the pound prices for 3.3 to 3.5 ounce letters will take place in two steps. Step one, in this case, is to move all the pound-rated pieces into the piece rated cells and adjust the current prices to account for the pound-rated revenues. Step two, in the future, will be to complete the programming needed to eliminate the pound rated prices in postal and mailer systems, and within the Standard Mail mailing statement. Since the Postal Service will not be able to complete the programming needed to support this change by April 26, 2015, all systems and mailing statements will

simply set the pound prices for 3.3 to 3.5 ounce Standard Letters to zero, effective April 26, 2015. The mailing statements and systems will be updated in a future release to reflect the per piece only prices.

# AADC and 3-Digit Presort Letters:

The prices for AADC and 3-Digit Presorted Letters will continue to be equal in 2015. The Postal Service is not changing the presorting requirements for either rate cell, thus allowing customers to pay the same price for either sortation level. Until the Postal Service is able to determine which preparation standard will be most consistent with the redesigned processing network, the best course of action is to preserve existing sortation options in 2015. This approach (as compared to, for example, eliminating one of the current sortation options) will not require customers to prematurely change sortation processes and software (Factor 6). The Postal Service will continue to evaluate the current sortation levels as the redesigned processing network is implemented.

#### Detached Address Labels:

The Postal Service will moderately increase the price of Detached Address Labels (DALs) from 3.3 cents to 3.5 cents. This increase recognizes both the significant progress that was made in the R2013-10 price adjustment toward improving cost coverage, and the price sensitivity of DAL customers (factors 7, 2, objective 4).

## Adjustments to the Billing Determinants:

Three adjustments have been made to the hybrid year billing determinants of Standard Mail. The first adjustment deals with breaking down the volume in Carrier

Route Flats. Currently there is only one type of Carrier Route Flat resulting in only one set of volumes and one set of prices. We propose to add a Carrier Route Flat category called "5-Digit pallet" that will encourage efficiency by providing lower prices for Carrier Route Flats on 5-Digit pallets than Carrier Route Flats in other containers.

The second adjustment deals with the fact that pound prices for letters are being eliminated. Going forward, the Postal Service will be charging only piece prices for letters. Since the decision to eliminate pound rated pieces was made after postage statements had been finalized, pound prices will remain in the postage statements until the next release, but the prices will be zero.

The third change deals with moving all Carrier Route and High Density FSS Flats to the L-F-P Flats category and reporting them as Scheme Pallets or Not-Scheme Pallets. This creates 88 new price cells. The composition of each new rate cell will be discernable in the on "FSS Blended Rates Auto" and "FSS Blended Rates NonAuto" in CAPCALC-STD-R2015-4.xlxs.

## 6) Periodicals

#### Overview:

The Periodicals class includes magazines and newspapers, and consists of two products: Within County Periodicals, and Outside County Periodicals. The prices for these products change as follows:

Table 8
Periodicals Price Changes

Product	Percent Change
Outside County	1.966
Within County	1.952
Overall	1.965

The Periodicals class has been challenged in terms of cost coverage. It did not cover its attributable costs in FY2014 (Factor 2, Objective 8). Despite its continued failure to cover its costs, the Postal Service is cognizant of Periodicals' value to the public (Factor 8, Factor 11). In this price change the Postal Service has taken some meaningful measures to provide efficient pricing signals to the mailers. However, the Postal Service recognizes that many additional changes may be required, over the course of future price changes, to bring about a meaningful change in cost coverage.

## **Bundle and Pallet Pricing**:

In the instant docket, the Postal Service is setting the prices for the bundles and pallets based on the estimated costs of handling them. Some exceptions are made to either: 1) avoid truly exorbitant increases; or 2) provide incentives to encourage desirable mail preparation behavior. The prices for Mixed ADC pallets are an example of the former (exorbitant price increases) and the prices for pure Carrier Route pallets are an example of the latter (providing an incentive for cost reducing behavior). Given the relatively small amount of price adjustment authority available, this change could only be achieved by reducing the pound prices significantly. Reducing the revenue burden on pounds prices started with the structural change in R2006-1 and is beneficial to both the Postal Service and Periodicals customers. Indeed, within the weight range of typical mail pieces (3 to 16 ounces), piece weight is not a significant cost driver.

Moreover, the productivity of mail processing equipment (either the AFSM 100, FSS, APBS or APPS) is not significantly impacted by minor weight increases.

Currently, a majority of Carrier Route bundles are placed on 3-Digit or SCF pallets, which leads to a significant increase in bundle handling relative to 5-Digit pallet

preparation. Pricing the bundles and pallets at their estimated costs, along with some other pricing changes discussed below, should provide mailers with incentives to move these Carrier Route bundles to 5-Digit pallets. The introduction of a pure Carrier Route pallet is intended to provide an alternative that would reduce this material handling burden significantly.

# FSS Pricing:

In Addition to the FSS prices of Pallets, which were introduced in FY13, new prices for FSS Pieces, Bundles, and Sacks are also incorporated. The prices for the new FSS categories were created by blending (i.e. taking a weighted average of) the prices paid by the FSS pieces prior to this structural change. In other words, if 70 percent of the new cell's combined volume was from current cell A volume, and 30 percent was from current cell B volume, then the price would be 70 percent of cell A's price, plus 30 percent of cell B's price. The Volumes were derived from FY14 Periodicals Mail Characteristics Study data.

#### Adjustments to Billing Determinants:

The following four adjustments have been made to the Fiscal Year billing determinants of Periodicals:

- Adjustment for FSS Full year Volume is estimated based on the Quarter 3
   and Quarter 4 Volume. The Adjustment is made for all FSS mail categories.
- Two new FSS prices are introduced for FSS Machinable Barcoded Flats and FSS Machinable Nonbarcoded Flats. The volumes for these price categories

- are estimated based on the Mail Characteristic study. These volumes were also used to derive the weighted average prices for these new rates.
- 3. To encourage mailers to create cost efficient Pallets, a Pure Carrier Route Pallet was introduced. These pallets are required to include only Carrier Route bundles. This type of mail preparation will reduce the additional work related to bundle sorting. A discounted price is introduced for Pure Carrier Route Pallets at all entry levels.
- Carrier Route and Firm Bundles are created at the pallet level. The volumes for these types of preparation were estimated using the Mail Characteristic Study.

## 7) Package Services

#### Overview:

The Package Services class consists of four products: Alaska Bypass Service,
Bound Printed Matter (BPM) Flats, Bound Printed Matter Parcels, and Media
Mail/Library Mail. 16 The prices for these products increase as follows:

Table 9
Package Services Price Changes

Product	Percent Change
Alaska Bypass Service	2.294
BPM Flats	0.425
BPM Parcels	2.640
Media Mail and Library Mail	2.313
Overall	1.964

<sup>&</sup>lt;sup>16</sup> Though Inbound Surface Parcel Post (At UPU Rates) was formerly part of the Package Services class, the Commission approved the transfer of this product to the competitive product list in Order No. 2160. See Order No. 2160: Order Approving Product List Transfer, PRC Docket No. MC2014-28 (Aug. 19, 2014), at 8.

#### Bound Printed Matter Flats:

There are two Bound Printed Matter (BPM) products: Flats (primarily heavy catalogs), and Parcels (primarily product order fulfillment). The Bound Printed Matter Flats product already covers its costs, and is used by catalog companies, which face continuing economic pressures (Factor 3). Therefore, the price increase for BPM Flats is smaller than the other products. This frees up cap space for larger increases for Media/Library Mail and BPM Parcels.

Also, as noted above in Part III (a) (1), FSS price categories have been introduced for BPM Flats. FSS price categories have been introduced for presort at originating entry, DNDC entry, DSCF entry, and DFSS entry. There will be no FSS pricing for DDU destination entry, nor will carrier route presort be available within FSS zones. The FSS price categories will be priced to encourage the creation of FSS scheme bundles within FSS zones. Additional discounts will encourage the dropping of FSS scheme bundles on scheme containers at DFSS sites (Objective 1, Factor 5).

#### BPM Parcels:

BPM Parcels prices are being increased by 2.640 percent overall. This slightly above-average price increase is designed to improve BPM Parcels' cost coverage (Factor 2).

#### Alaska Bypass:

Alaska Bypass consists of 70 pound parcels, plus remainder weight parcels. The overall increase given to Alaska Bypass is 2.294 percent.

# Media/Library Mail:

Media/Library Mail will receive a price adjustment of 2.313 percent. The above CPI increase is intended to improve this product's cost coverage (Factor 2). Even after these increases, Media Mail and Library Mail pieces will still be priced below other ground parcel products, largely to recognize their educational, cultural, scientific, and informational value (Factor 11).

## 8) Special Services

#### Overview:

The Special Services class currently contains the following products: Ancillary Services, International Ancillary Services, Address Management Services, Caller Service, Credit Card Authentication, Confirm, International Business Reply Mail Service, Money Orders, Post Office Box Service, Customized Postage, and Stamp Fulfillment Services. The overall increase for the Special Services class is 0.234 percent. But there are both large increases and decreases for some individual special services, along with proposals to eliminate some redundant services and combine some others (Factors 1 and 6). More detail on Special Services price changes, along with descriptions of the billing determinant adjustments, is included in USPS-LR-R2015-4/5

# Address Correction Service:

Address Correction Service prices are increasing by 5.5 percent, reflecting the high value of service provided and the high percentage increase that results from minimum increases to very low prices, such as the 1-cent increase for the first 2 notices for Automated ACS for First-Class Mail from 4 cents to 5 cents, which is a 25 percent increase (Factors 1 and 6).

#### Permit Fees:

Permit Fees are increasing 2.4 percent. However, the Postal Service will be waiving permit fees for Merchandise Return Service and Parcel Return Service when a mailer has at least one outbound parcel sent using a permit. Bulk Parcel Return Service permit fees will be eliminated, because BPRS customers always use the Postal Service for some outbound parcels.

## Account Maintenance Fees:

Account Maintenance fees are increasing by 2.3 percent. However, the Postal Service will be waiving these fees for Merchandise Return Service and Parcel Return Service when a mailer has at least one outbound parcel sent using a permit.<sup>17</sup> Bulk Parcel Return Service accounting fees will be eliminated (Factor 6).

#### Periodicals Mailing Applications:

Periodical Mailing Applications receives an increase of 1.6 percent (Factor 6).

#### Business Reply Mail:

The overall price increase for Business Reply Mail is 2.6 percent, reflecting the value of the service provided (Factor 1).

## Bulk Parcel Return Service:

Prices for Bulk Parcel Return Service are decreasing by 11.9 percent as a result of the Permit and Account Maintenance fees being eliminated for this service. The Bulk Parcel Return Service per piece price is increasing by 5.3 percent, reflecting the high

<sup>17</sup> The Postal Service is assuming that 80 percent of Merchandise Return Service and Parcel Return Service permit and account maintenance fees will be waived under this initiative.

value of service and the simplification of the service by no longer have an account maintenance or permit fee (Factors 1 and 6).

## Certified Mail:

Certified Mail prices are increasing by 4.8 percent, reflecting the value the service provides (Factor 1). Additionally, new options (Certified Mail Restricted Delivery, Certified Mail Adult Signature Required, and Certified Mail Adult Signature Restricted Delivery) are being offered under Certified Mail. The new options will be priced such that it is equivalent to the price of Certified Mail plus the price of Restricted Delivery (as discussed below). The price increase for Certified Mail Restricted Delivery is 3.1 percent. Certified Mail with Adult Signature and Certified Mail with Adult Signature Restricted Delivery are new market dominant offerings. The sum of the Exigent surcharges for Certified Mail and Restricted Delivery would apply to the new combined fee.

# Certificate of Mailing:

The overall price change for Certificate of Mailing service is -6.7 percent.

Individual Certificate of Mailing and the Certificate of Bulk Mailing prices are increasing 4.0 percent and 2.1 percent, respectively, reflecting the value they provide (Factor 1).

The price for Firm Book Certificate of Mailing is being decreased by 20 percent in response to industry concerns (Factors 1 and 3).

## Collect on Delivery:

The prices for Collect on Delivery (COD) are being raised by 5.4 percent overall.

This increase not only reflects the value of the service provided, but also helps ensure

that COD service continues to cover its costs (Factors 1 and 2). As the Commission is aware, COD cost coverage has varied widely over the past few years. COD will also be enhanced with a hold for pickup option, which will allow mailers to choose to have a COD item held at the Post Office for pick up by the intended recipient. There will also be a new offering, COD Restricted Delivery, which is discussed below.

# USPS Tracking:

The prices for USPS Tracking service are being reduced to zero (-100 percent price change) for First-Class Mail, Media Mail, Bound Printed Matter, and Library Mail. The price of USPS Tracking for Standard Mail parcels is increasing by 59.1 percent (Factor 1).

## Insurance:

The overall price change for Insurance is a decrease of 2.0 percent. The overall price decrease results from lower prices for items insured for an amount between \$200.01 and \$500.00, as the Postal Service will no longer collect a signature at the time of delivery for these items (Factor 1). Mailers wishing to have the mailpiece signed for at the time of delivery for these items will need to purchase electronic Signature Confirmation or some other service that requires a signature. Additionally, the Postal Service will start providing a delivery record when requested for items indemnified for more than \$500 at no extra charge adding value for those customers.

Priority Mail Express Insurance is being combined with the general Insurance service. As a result of this change, Priority Mail Express mailers will see an average price increase of 227.5 percent for insuring their mailpieces (Factor 6).

#### Merchandise Return Service:

The overall price change for Merchandise Return Service is -79.5 percent, as a result of waiving the account maintenance and permit fees for all mailers that mail at least one outbound parcel using a permit (Factor 6). The scale of the decrease is a result of there being no per piece fee for Merchandise Return Service. The revenue for this service is solely derived from the permit fee and the accounting fee.

## Parcel Airlift:

Parcel Airlift receives an overall price increase of 4.0 percent, due to the historical nickel rounding constraint (Factors 1 and 6).

## Registered Mail:

Registered Mail prices are increasing 2.6 percent. The maximum amount of indemnification available with Registered Mail will increase from \$25,000 to \$50,000 to match what other carriers offer (Factor 3). Additionally, as part of the elimination of Restricted Delivery (discussed below), Registered Mail Restricted Delivery is being established.

#### Return Receipt:

The overall Return Receipts price increase is 3.8 percent, reflecting the value the service provides (Factor 1). The Postal Service is also eliminating the option for mailers to request a Return Receipt after Mailing, as usage is very low. Mailers wanting a return receipt will need to use either electronic or hardcopy Return Receipt at the time of mailing.

# Return Receipt for Merchandise:

Return Receipt for Merchandise is not getting a price change, reflecting that there is a separate Docket, MC2015-8, requesting to eliminate the service.

## Restricted Delivery:

The existing Restricted Delivery service is being eliminated, and replaced with a Restricted Delivery option under all special services with which it could previously be combined:

- Certified Mail Restricted Delivery
- COD Restricted Delivery
- Insurance Restricted Delivery
- Registered Mail Restricted Delivery
- Signature Confirmation Restricted Delivery

Each of these new services will have the same underlying price for Restricted Delivery service, which increases 2.1 percent.<sup>18</sup>

#### Signature Confirmation:

The basic Signature Confirmation service is getting an overall price increase (less Signature Confirmation Restricted Delivery) of 4.2 percent, reflecting the high value the service provides (Factor 1). The restricted delivery component of Signature Confirmation Restricted Delivery is increasing in price by 2.1 percent. Additionally, new volume is being added in the adjusted Billing Determinants due to the elimination of the requirement to obtain a signature for Insurance valued from \$200.01 to \$500.00. Now

<sup>&</sup>lt;sup>18</sup> In the case of Certified Mail Restricted Delivery, the new price is equivalent to the Certified Mail price plus the Restricted Delivery price. However the effective price increase for Restricted Delivery customers is still 2.1 percent for the Restricted Delivery component of the bundled service.

that the insurance fee does not provide for obtaining a signature at the time of delivery, the Postal Service is assuming that customers in that value range would also purchase electronic Signature Confirmation service to match the service they received in the Billing Determinants year. With this change, the overall increase for basic Signature Confirmation service is 22.9 percent.<sup>19</sup>

## Special Handling:

Special Handling prices are being increased by 4.5 percent to reflect the high value the service provides to mailers that use it (Factor 1). Special Handling will no longer have one price for over 10 pounds and one for up to 10 pounds. Instead, there will be a single price for special handling for items classified as fragile. Moreover, Special Handling will be made available for Priority Mail Express (Factor 6). The Postal Service is applying a blended Exigent surcharge for these pieces of \$0.40.

#### Stamped Envelopes

Stamped Envelopes received an overall price increase of 0.1 percent so that this product remains attractive to both the consumer and business mailers that use them (Factor 3).

#### Stamped Cards:

Stamped Cards will not be given a price increase this year, as the price adequately covers the costs, and the postage for postcards is increasing (Factor 3).

<sup>19</sup> This increase is the result of the billing determinants adjustment under Rule 3010.23(d)(2), which are done to limit the risk that the Commission will decide to correct the price cap estimate for Special Services. The real price increase for basic Signature Confirmation customers is 4.2 percent, as noted

above.

 $<sup>^{20}</sup>$  More than 99 percent of Special Handling volume was for items less than 10 pounds. Thus the weighted average surcharge rounds to \$0.40 (0.993\*\$0.40 + 0.007\*\$0.50=\$0.4007).

#### Address Management Services

The overall price increase for Address Management Services is 1.3 percent. However, 17 of the Address Management Services will not be changing prices. For those services, the current prices adequately cover costs and the Postal Service does not want to discourage mailers from using services that will improve the quality of their mailing addresses (Factors 1, 7, and 12). Price increases for the other products were intended to reflect the value the service offers, or to better align per state prices with all state prices for Carrier Route, eLot, and ZIP+4 service (Factors 1 and 6).

#### Caller Service:

Caller Service prices are increasing by 3.9 percent overall. Individual price changes range from 0.1 percent to 7.7 percent, as the goal was to start smoothing out the prices across fee groups, as well as reflect the high value the service provides (Factors 1 and 6).

#### Reserve Number:

Reserve Numbers receives a 2.2 percent increase, reflecting the value the service provides to mail recipients (Factor 1).

#### Credit Card Authentication

Credit Card Authentication does not receive an increase, because this fee allows the Postal Service to authenticate the relationship between a customer and an address electronically, rather than in a more labor intensive process when the same transaction is done by a postal clerk (Factor 10).

#### Money Orders

Only the APO-FPO Money Orders are receiving a price increase. As a result, the overall price increase for Money Orders is less than 0.1 percent (Factor 3).

## Post Office Box Service:

PO Box prices are increasing 5.9 percent overall. The price changes are intended to smooth the differences in prices across both the fee groups and box sizes within the fee groups, as well as reflect the high value of service provided (Factors 1 and 6).

## Customized Postage

Customized Postage is not getting a price increase, as the number of users of the service decreased from four to two (Factor 1).

#### Stamp Fulfillment Services:

Stamp Fulfillment Services is not receiving a price increase, because it reduces the costs associated with the retail purchase of stamps (Factor 3).

## B. Preferred Mail—Rule 3010.14(b)(8)

Section 3626 sets forth pricing requirements for certain preferred categories of mail. In this price change, the Postal Service implements these requirements in the same manner as it did in its Docket No. R2013-1 price change, which the Commission concluded was an appropriate interpretation of section 3626.<sup>21</sup>

<sup>&</sup>lt;sup>21</sup> Order No. 1541: Order on Price Adjustments for Market Dominant Products and Related Mail Classification Changes, PRC Docket No. R2013-1 (November 16, 2012), at 49, 65.

First, section 3626(a)(3) requires that the prices for Within County Periodicals "reflect its preferred status," as compared to the prices for regular rate Periodicals.<sup>22</sup> This price adjustment continues to recognize the preferential status of Within County Periodicals by setting prices below those of regular Outside County Periodicals.

Second, section 3626(a)(4)(A) requires that Nonprofit and Classroom Periodicals receive, as nearly as practicable, a 5 percent discount from regular rate postage, except for advertising pounds. Consistent with previous practice, the Postal Service maintains this rate preference by giving Nonprofit and Classroom pieces a 5 percent discount on all components of postage, except for advertising pounds and ride-along postage.

Third, section 3626(a)(5) requires that Science of Agriculture Periodicals be given preferential treatment for their advertising pounds. Consistent with past practice, the Postal Service continues to provide these publications with advertising pound rates for DDU, DSCF, DADC, and Zones 1 & 2 that are 75 percent of the advertising pound rates applicable to regular Outside County Periodicals. This also includes the pound rates for DFSS, which pay the DSCF pound rate.

Fourth, section 3626(a)(6) requires that Nonprofit Standard Mail prices be set to achieve an average revenue per piece that is 60 percent of the commercial average revenue per piece. Consistent with past practice, the Postal Service has calculated this ratio at the class level. The prices set forth in this Notice achieve a revenue per piece ratio of 60.4 percent. Past practice by the Commission has indicated that it is acceptable to meet the 60 percent ratio within a few tenths of a percent.<sup>23</sup> Details of the

<sup>22</sup> This general standard replaces the "50-percent mark-up rule" that previously governed the setting of prices for Within County Periodicals. <u>See</u> H.R. REP. No. 109-66, pt. 1, at 67-68.
<sup>23</sup> For example, in the past the Commission has approved nonprofit to commercial price ratios of 60.2

For example, in the past the Commission has approved nonprofit to commercial price ratios of 60.2 (Docket No. R2009-2), 59.9 (Docket No. R2013-1), and 59.9 percent (Docket No. R2013-10). See Order

nonprofit-commercial revenue per piece ratio are contained in USPS-LR-R2015-4/2, workbook *CAPCALC-STD-R2015-4.xlsx*, worksheet "Price Change Summary." The Postal Service also kept nonprofit discounts equal to the comparable commercial discounts, except in one instance, described below.

Fifth, section 3626(a)(7) requires that the prices for Library Mail be equal, as nearly as practicable, to 95 percent of the prices for Media Mail. This is achieved by setting each Library Mail price element equal to 95 percent of the corresponding Media Mail price element. The Postal Service has followed this approach in setting its new prices.

Finally, section 3626(g)(4) requires that preferential treatment be accorded to the Outside County pieces of a Periodicals publication having fewer than 5,000 Outside County pieces, and at least one Within County piece. In conformance with this requirement, the Postal Service implemented a new "limited circulation" discount in 2008, which gives these mailers a discount equivalent to the Nonprofit and Classroom Periodicals discount.

In addition to a discussion of section 3626, Rule 3010.14(b)(8) also requires the Postal Service to discuss how its planned prices are consistent with sections 3627 and 3629. Neither section is implicated by this price change: for section 3627, the Postal Service does not seek to alter the free rates; for section 3629, the Postal Service does not change the eligibility requirements for nonprofit prices.

# C. Workshare Discounts—Rules 3010.14(b)(5) and (6) 24

Section 3622(e) requires that the Postal Service justify any worksharing discount that exceeds 100 percent of the avoided costs, by reference to one or more of the exceptions specified in that provision. These exceptions are listed below.

- (2) Scope The Postal Regulatory Commission shall ensure that such discounts do not exceed the cost that the Postal Service avoids as a result of workshare activity, unless—
- (A) the discount is-
  - (i) associated with a new postal service, a change to an existing postal service, or with a new work share initiative related to an existing postal service; and
  - (ii) necessary to induce mailer behavior that furthers the economically efficient operation of the Postal Service and the portion of the discount in excess of the cost that the Postal Service avoids as a result of the workshare activity will be phased out over a limited period of time;
- (B) the amount of the discount above costs avoided—
  - (i) is necessary to mitigate rate shock; and
  - (ii) will be phased out over time;
- (C) the discount is provided in connection with subclasses of mail consisting exclusively of mail matter of educational, cultural, scientific, or informational value; or

<sup>&</sup>lt;sup>24</sup> To avoid calculations that result in passthroughs that are slightly under or over 100 percent, due to rounding, cost avoidances are rounded to the same level as the prices.

- (D) reduction or elimination of the discount would impede the efficient operation of the Postal Service.
- (3) Limitation.— Nothing in this subsection shall require that a work share discount be reduced or eliminated if the reduction or elimination of the discount would—
- (A) lead to a loss of volume in the affected category or subclass of mail and reduce the aggregate contribution to the institutional costs of the Postal Service from the category or subclass subject to the discount below what it otherwise would have been if the discount had not been reduced or eliminated; or(B) result in a further increase in the rates paid by mailers not able to take advantage of the discount.

In addition, Rule 3010.14(b)(6) requires the Postal Service to explain discounts that are set "substantially" below 100 percent of avoided costs. The workshare discounts, cost differentials, and passthroughs (discount divided by cost avoidance) are shown in Attachment B. These tables have the avoided cost data from the Postal Service's FY 2014 ACR, filed on December 29, 2014. The discounts in Docket No. ACR2014, USPS-FY14-3, have been replaced by the discounts included in the new prices.

For the passthroughs that were above 100 percent in Docket No. R2013-10, the Postal Service was able to make significant progress in moving them toward, or to, 100 percent. Though the Postal Service would have preferred to have moved additional passthroughs to 100 percent, some complicating factors, such as the introduction of new FSS prices, prevented it from doing so. Additionally, the cost avoidances for

several workshare activities unexpectedly changed. The passthroughs are calculated using the discounts resulting from the CPI filing alone. At this point in time, the exigent surcharge is a temporary surcharge that could run out in the next few months. Given these considerations, the following sections discuss the passthroughs that exceed 100 percent, or that are significantly lower than 100 percent.

#### First-Class Mail

There are 14 passthroughs in First-Class Mail to be evaluated for compliance.

One of these passthroughs is over 100 percent: that is, the discount exceeds the cost avoidances from the ACR 2014 filed on December 29, 2014. Four passthroughs are below 100 percent; that is, the discounts are less than cost avoidance from the ACR 2014. Seven passthroughs are equal to 100 percent and are therefore not discussed further. Two passthroughs are zero, because of a pricing structure change that was added by the Postal Service for automation letters and automation postcards in Docket Nos. R2012-3 and R2013-1, respectively.<sup>25</sup>

#### Automation Flats:

The Postal Service has made progress in reducing the passthroughs for First-Class Mail Automation Flats, since the methodological change resulting from Docket No. RM2008-2 (Proposal 8). The discounts for Automation Flats are evaluated using cost avoidances reported in the ACR, filed of December 29, 2014. There is only one passthrough, for 5-Digit Automation Flats, that exceeds 100 percent (i.e., the discount exceeds the avoided cost). This particular passthrough was below 100 percent during

<sup>&</sup>lt;sup>25</sup> These particular passthroughs are zero in the current docket, because the prices for AADC and 3-Digit Automation Letters and Cards are the same. In the future, the Postal Service expects to have one, yet to be determined sortation level between Mixed AADC and 5-Digit.

FY 2010 ACD (avoided cost = 17.4 cents, discount=16.2 cents) and the FY 2011 ACD (Avoided cost=18.8 cents, discount=17.4 cents). However, in the FY 2012 ACD, the unit cost avoidance was reduced to 14.3 cents, while the discount remained at 17.4 cents, bringing this passthrough to 121.7 percent. In the FY 2013 ACD, the passthrough increased to 133.3 percent (avoided cost=14.1 cents, discount=18.8 cents). In the most recently filed ACR, this passthrough is 120.4 percent (cost avoidance=15.2 cents, discount=18.3 cents). Accordingly, the Postal Service justifies the current passthrough pursuant to section 3622(e)(2)(B). This discount will be reduced to match the cost avoidance over time in future price change filings, while taking into consideration other business and operational needs.

## **Standard Mail**

The discounts for 12 workshare categories exceed avoided costs: four passthroughs in the Letters product; five passthroughs in the Flats product; and three passthroughs in the Parcels product. As discussed in section III (b) above, we are restructuring FSS prices for Flats and eliminating FSS pricing in, High Density, High Density Plus and Carrier Route flats. This restructuring required several nonprofit passthroughs to differ from their Commercial counterparts, in order to preserve the sensible pricing relationships between entry points.

#### Standard Mail Letters:

Four workshare passthroughs for Standard Mail Letters exceed 100 percent.

The passthrough for presort automation AADC letters compared to automation mixed

AADC letters is 131.3 percent. This represents an improvement, compared to the 137.5% passthrough reported in the FY 2014 ACR. The passthrough for presort nonmachinable 5-digit letters, compared to nonmachinable 3-Digitletters is 136.9 percent. Again, this represents an improvement, compared to the 143.1 percent passthrough reported in the FY 2014 ACR. Reducing these passthroughs to 100 percent at one time would result in a significant price increase. Accordingly, these passthroughs are justified by section 3622(e)(2)(b). Nevertheless, progress has been made toward moving these passthroughs closer to 100 percent. The Postal Service will be mindful to continue moving these passthroughs toward 100 percent in future price adjustments.

In the FY 2010 ACD, the avoided cost of nonautomation 5-digit nonmachinable letters was 10.5 cents. This decreased sharply in the FY 2011 ACD to 7.6 cents, and increased to 7.7 cents in the FY 2012 ACD. In the FY 2014 ACR, the avoided cost has dropped to 0.065. The Postal Service has tried to align this discount to its avoided cost; however, decreasing it below the proposed 9.2 cents at this time would increase the prices of 5-Digit nonmachinable letters beyond acceptable limits. Therefore, the Postal Service justifies this passthrough under section 3622(e)(2)(B). The Postal Service will be mindful to continue moving this passthrough toward 100 percent in future price adjustments.

The nonautomation AADC nonmachinable letters discount from nonautomation mixed ADC nonmachinable letters is 125.0 percent. This passthrough increased from the 112.5 percent that was reported in the FY 2014 ACR. The passthrough was lowered to keep the price increases for nonautomation letters reasonable, while also

being able to address other nonmachinable passthroughs. With the current passthroughs, price increases for Commercial nonautomation letters range from about six to eight percent, while prices for nonprofit nonautomation letters range from six to eleven percent. Lowering the AADC passthrough would require even larger price increases to keep the downstream entry points (ADC, 3-Digit, and 5-Digit) in line with the AADC price. The passthrough was moved to 125 percent, because the Postal Service did not want to increase the nonprofit prices above 11 percent. Accordingly, the Postal Service uses section 3622(e)(2)(b) to justify this passthrough – not because of rate shock to AADC prices, but to avoid rate shock in the ADC, 3-Digit, and 5-Digit prices.

The prebarcoding discount for automation letters is 1,400 percent. The Postal Service notes that the FY 2012 cost avoidance for Standard Mail Automation Mixed AADC Letters was calculated at negative 0.3 cents. This was changed to 0.001 in the FY 2014 ACR. The pre-barcoding discount in this instant transmittal is 0.014. Due the volatility of cost avoidance numbers (which were negative until recently), and the desire of the Postal Service to continue encouraging the pre-barcoding of commercial letters, this passthrough will be gradually moved toward 100 percent in future price adjustments. Given the value of encouraging the pre-barcoding of commercial letters, Postal Service justifies this passthrough under section 3622(e)(2)(D).

## Standard Mail Flats:

Seven workshare passthroughs for Standard Mail Flats exceed 100 percent: the passthrough for presort automation 3-Digit flats, the passthrough for presort automation 5-Digit flats, the passthrough for presort nonautomation 3-Digits flats, the passthrough

for nonautomation 5-Digit flats, the passthrough for presort nonprofit automation 5-Digits flats, the passthrough for presort nonprofit nonautomation 3Digit Flats, and the prebarcoding passthrough between automation and nonautomation flats.

The passthrough for presorted automation 3-Digit Flats is 131.0 percent, increasing from the 123.8 percent passthrough in the FY 2014 ACR. As a result of the new FSS prices proposed in this docket, FSS Flats volumes will be shifting from the high-density and saturation categories to the L-F-P categories. This shift will improve the efficiency of postal operations by increasing the amount of Flats mail that can be processed on FSS equipment. Lowering this passthrough to 100 percent would result in higher blended prices in the new FSS cells, which would reduce the incentive for Flats mailers to prepare their mail for FSS processing. Accordingly, the Postal Service uses section 3622(e)(2)(D) to justify this passthrough. The Postal Service will be mindful to move this passthrough toward 100 percent in future price adjustments.

In the R2013-10 price adjustment, the discount of 9.3 cents for automation 5-Digit flats was well below the avoided cost of 11.7 cents. Since that case, however, avoided cost has dropped to 8.5 cents. Though the Postal Service has lowered the discount to 9.1 cents in this price adjustment, it could not drop this discount further without increasing the new FSS prices, which would reduce the incentive for mailers to prepare their Flats mail for FSS processing. Accordingly, the Postal Service justifies this passthrough using section 3622(e)(2)(D). The Postal Service will continue to work towards aligning this discount to the avoided cost in future price adjustments.

Similarly, the nonprofit passthroughs for automation 5-Digit flats and nonautomation 3-Digit Flats are 119.1 percent and 183.7 percent, respectively. Again,

the movement of FSS flats into the L-F-P categories makes it difficult to address these passthroughs, while providing adequate incentives to FSS mailers to enter these flats into the mail as scheme pallets. For example, when the nonprofit discounts were aligned with their commercial counterparts, illogical and inefficient pricing relationships between FSS entry points emerged. Accordingly, these passthroughs are also justified by section 3622(e)(2)(D). The Postal Service will be mindful to reduce these passthroughs to 100 percent and align the discounts with their commercial counterparts in future price adjustments.

Next, the pre-barcoding discounts for automation mixed ADC Flats are 181 percent of avoided costs. The passthrough was 233.3 percent in the FY 2014 ACR. While the Postal Service was able to propose prices that improved the passthrough, reducing the passthrough to 100 percent would result in too large a price increase for the affected categories at this time. Therefore, the Postal Service is using section 3622(e)(2)(B) to justify this passthrough. The Postal Service will continue to work towards aligning this discount with the avoided cost in future price adjustments.

The passthroughs for nonautomation 3 Digit-Flats and nonautomation 5-Digit

Flats are 110.6 percent and 135.3 percent, respectively. These passthroughs could not
be lowered for reasons similar to their automation counter parts – that the new FSS

prices proposed in this docket would increase, resulting in reduced incentives for
mailers to enter their FSS Flats on scheme pallets. As such, these passthroughs are
also justified by section 3622(e)(2)(D).

#### Standard Mail Parcels:

Five passthroughs for Standard Mail Parcels exceed 100 percent. These are the presort discounts between NDC irregular parcels and mixed NDC irregular parcels, the discounts between NDC Marketing Parcels and mixed NDC Marketing Parcels, and the difference between the pre-barcoding discount and the cost avoidance for machinable, irregular, and marketing parcels.

Rather than attempt to justify these passthroughs individually, it makes more sense to explain what happened to Standard Mail Parcel prices as a single product and why the price changes were made. Standard Parcels as a product had a cost coverage of 66.3 percent in FY 2014. In an effort to improve cost coverage for this product, all prices were raised by 10 percent across the board. The 10 percent price increase was applied to all price cells with the exception of non-barcoded surcharges. The non-barcoded surcharges were lowered, and, as a result, the passthroughs for these categories improved from 181.1 percent to 164.9 percent. In short, lowering the passthroughs to 100 percent at this time would result in price increases well above 10 percent, which the Postal Service believes to be excessive. Accordingly, the Postal Service justifies these passthroughs based on section 3622(e)(2)(B). The Postal Service will be mindful to move these passthroughs toward 100 percent in future price increases.

#### Standard Mail Dropship Discounts:

All of the Standard Mail dropship discounts are below their respective avoided costs, some of them substantially so. The Postal Service will consider this and other issues that pertain to dropshipping of letters and flats in future price adjustments to

determine the best approach and speed for differentiating dropship discounts by shape. Because part of the dropship avoided costs estimates depends on transportation costs that are subject to the volatility of fuel costs, it is expected that, even in the long run, discounts may remain below avoided costs to permit a measure of pricing stability during periods of cost volatility.

#### **Periodicals**

Attachment B contains two workshare discount tables for Periodicals. Some passthroughs exceed 100 percent; but many of them apply to low volume categories, such as automation letters. In addition, the Postal Service is mindful of price swings which would result from changing these passthroughs. In any event, these passthroughs are justified under section 3622(e)(2)(C). Per the Commission's suggestions in ACD 2013, the discount for the pre-barcoding of Non-machinable Automation Mixed ADC has been adjusted.

The Outside County table in Attachment B shows discounts/surcharges, cost differentials, and passthroughs for presorting. The Within County table shows the same information for presorting, prebarcoding, and dropship.

The second Periodicals table in Attachment B shows bundle and container pricing, which, in Docket No. R2006-1, was developed by passing through part of the respective costs, rather than cost differentials. The tables show the bottom-up costs, and the price as a percentage of costs. This reflects the price structure in Periodicals, which implicitly includes many incentives for cost-reducing mail preparation behavior, but has some elements that cannot be viewed as traditional "passthroughs." Instead,

percentages are used to describe how much of a cost is recognized in a given price element.<sup>26</sup>

For this price increase, the Postal Service has updated the cost/price relationship for Bundles and Pallets. As a first step, the Bundle and Pallet prices were set at 100 percent cost coverage, except for the Firm bundles and MADC Pallets. Setting the Firm Bundle and MADC Pallet prices to 100 percent cost coverage at this time would have resulted in exorbitant price increases. The Postal Service will take additional steps to align other prices with costs in future price adjustments.

## Package Services

Attachment B contains three tables of workshare discounts, cost avoidances, and passthroughs for Package Services. All workshare discount passthroughs for Media and Library Mail are below 100 percent. Similarly, all workshare discount passthroughs for Bound Printed Matter Flats are either at or below 100 percent. For Bound Printed Matter Parcels, only one workshare discount passthrough exceeds 100 percent, the DDU Bound Printed Matter Parcel passthrough, which is set at 100.9 percent. This was necessary in order to protect the relationships between BPM Parcels' pricing cells. Accordingly, the Postal Service justifies this passthrough according to section 3622(e)(2)(D).

## IV. MCS Product Description Changes

Rule 3010.14(b)(9) requires that this Notice include all the changes to the product descriptions within the MCS that will be necessary to implement the planned

<sup>26</sup> The language of section 3622(e) reflects the traditional understanding of passthroughs being based on avoided costs, rather than bottom-up costs.

price adjustments. Attachment A shows the new prices and related product description changes incorporated into a revised draft of the market-dominant section of the MCS.<sup>27</sup> Along with minor formatting and wording changes, the substantive classification changes for this filing include the following:

Along with minor formatting and wording changes, the substantive classification changes for this filing include the following:

- Update Promotions for 2015, in First-Class Mail and Standard Mail.
- Increase maximum weight for which only per piece price is charged, from 3.3 ounces to 3.5 ounces, for Standard Mail High Density and Saturation Letters, Carrier Route (letters only), and Letters.
- Eliminate some price cells and add some new price cells, to reflect the new price structure for flat-shaped pieces prepared for and entered at Flats Sequencing System locations, in Standard Mail High Density and Saturation Flats/Parcels, Carrier Route, and Flats, and in Periodicals Outside County and Bound Printed Matter Flats.
- Add new price cells and classification language to provide incentives for Carrier Route bundles and containers entered at non-FSS locations, in Standard Mail, and Periodicals.
- Eliminate classification language for Repositionable Notes, in First-Class Mail, Standard Mail, and Periodicals.
- Add late payment charge for Address Correction Service.
- Simplify Returns options (Parcel Returns Service and Merchandise Returns Service), by eliminating permit and account maintenance fees for Returns customers with outbound Postal Service volume, and, for other customers, creating Return Services fees applying to both Merchandise Return Service and Parcel Return Services.
- Eliminate permit and account maintenance fees for Bulk Parcel Return Service, because its customers always have outbound Postal Service volume. Correct

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<sup>&</sup>lt;sup>27</sup> This draft is based on the November 24, 2014 MCS draft provided by the Commission at <a href="http://www.prc.gov/PRC-DOCS/library/mcs/MCSRedline11252014.docx">http://www.prc.gov/PRC-DOCS/library/mcs/MCSRedline11252014.docx</a>. The classification changes are shown in legislative format.

MCS language to include Parcel Select Lightweight as qualifying for Bulk Parcel Return Service.

- Separate First-Class Mail and First-Class Package Service permit fees, and include Parcel Select Lightweight permit fee with Parcel Select rather than Standard Mail.
- Add optional features (Restricted Delivery and/or Adult Signature) to Certified Mail.
- Clarify Certificate of Mailing options, by adding form numbers, and distinguishing the types of Certificate of Mailing service.
- Clarify Collect on Delivery description, and specify the new hold for pickup option, and two optional features – COD Restricted Delivery and Registered COD Mail.
- Clarify USPS Tracking description, and add First-Class Mail Parcels and Package Services (Medial Mail, Library Mail and Bound Printed Matter Parcels) to the list of products for which USPS Tracking is included at no fee.
- Clarify Insurance description, and combine descriptions and price tables for General Insurance and Priority Mail Express Insurance. Add Restricted Delivery as optional feature for Insurance. Increase minimum amount for which recipient's signature is obtained from \$200 to \$500, and provide the delivery record to the customer for the over \$500 items.
- For Merchandise Return Service pieces, replace availability of Standard Post and Packages Services prices with Parcel Select Nonpresort prices.
- Increase maximum indemnity limit for domestic Registered Mail to \$50,000, and specify two optional features for domestic Registered Mail – Restricted Delivery and Collect on Delivery.
- Clarify Return Receipt description, by adding form number and hardcopy references, and listing available products more efficiently. Eliminate option to request return receipt after mailing.
- Eliminate Restricted Delivery as a stand-alone ancillary special service, and offer it as features of Certified Mail, COD, Insurance, Registered Mail, and Signature Confirmation.
- Rename Shipper-Paid Forwarding as Shipper-Paid Forwarding/Return, and correct description to identify Standard Post as qualifying product, and eliminate Bulk Parcel Return Service as available return price.

- Clarify description of Signature Confirmation, and add Signature Confirmation Restricted Delivery as an optional feature.
- Clarify description of Special Handling, add availability with Priority Mail Express, and combine the two fee options.
- Removal from the Mail Classification Schedule (MCS) of Inbound International Return Receipt and Inbound International Restricted Delivery as these items do not generate revenue for the Postal Service, and do not need to be listed. Make conforming change by renaming International Return Receipt as Outbound International Return Receipt.
- Removal of title for market-dominant International Insurance because this service was removed from the MCS in Order No. 2160.
- Renumber Customs Clearance and Delivery Fee service, to reflect other edits.
- Change Address Management Services descriptions to reflect general movement away from CD-ROM fulfillment, including elimination of Postal Explorer CD-ROM service.
- Correct price table listing for AIS Viewer.
- Update list of agreements in 1602.3.
- Update Glossary to reflect Insurance changes.
- Update Part D Country Price Lists.

Notice of the changes to the DMM implementing these new features are being placed on USPS.com and will be published in the *Federal Register* shortly.

Respectfully submitted,

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