

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

NOTICE OF MARKET-DOMINANT PRICE
ADJUSTMENT AND CLASSIFICATION CHANGES
RELATED TO MOVE UPDATE ASSESSMENT

Docket No. R2017-7

UNITED STATES POSTAL SERVICE NOTICE OF
MARKET DOMINANT PRICE ADJUSTMENT AND CLASSIFICATION CHANGES
(June 30, 2017)

Pursuant to section 3622 of title 39 and 39 C.F.R. part 3010, the Postal Service hereby provides notice that the Governors have authorized the Postal Service to amend prices and classification language for its market dominant products. This adjustment will take effect on January 21, 2018 at 12:01 AM.¹ The price change relates to the introduction of a new method of Move Update verification. The Postal Service is proposing to change the Move Update assessment charge to \$0.08; amend the classification language associated with the Move Update assessment charge to account for the new Move Update verification method; delete an erroneous reference to the Move Update assessment charge in USPS Marketing Mail Parcels, which is not subject to the Move Update standard; and extend the Full-Service Address Correction Service (ACS) fee to certain non-Full-Service mailpieces.

¹ The Postal Service intends to begin verifying mailers under the Address Quality and Census Assessment and Measurement Process in March for February change of address errors.

In this Notice, the Postal Service provides the information required by Rule 3010.12. In Part I, the Postal Service provides a description of the price and classification changes. In Part II, the Postal Service discusses its compliance with the price cap. In Part III, the Postal Service discusses how the price and classification changes are consistent with the objectives and factors of section 3622, and the preferential pricing requirements of section 3626.

Attached to this pleading, the Postal Service has provided: 1) updated pages from the Mail Classification Schedule (MCS) reflecting the price and classification changes (Attachment A), and 2) the price cap authority calculation (Attachment B). The Postal Service is also filing price cap calculation workpapers concurrently with this pleading. These workpapers demonstrate how the proposed price changes for First-Class Mail, USPS Marketing Mail, and Special Services comply with the price cap. The materials are designated as:

USPS-LR-R2017-7/1	First-Class Mail Workpapers
USPS-LR-R2017-7/2	USPS Marketing Mail Workpapers
USPS-LR-R2017-7/3	Special Services Workpapers
USPS-LR-R2017-7/4	Move Update Census Data
USPS-LR-R2017-7/NP1	First-Class Mail International Workpapers

Each set of workpapers also includes a preface that provides an overview of the contents and an explanation of the price change calculations. The Postal Service intends to host a webinar to discuss the price cap calculations and data on Friday, July 7, additional information to follow.

The Postal Service certifies that it will inform customers of the price adjustment, as required by Rule 3010.12(a)(3). In addition to this Notice, the Postal Service is publishing notice of the price change via an Industry Alert and a *DMM Advisory*. Thus, widespread notice of these prices is being provided prior to their planned implementation date. The Postal Service also plans to provide public notice of the approved price changes in the *Federal Register* and on the Postal Explorer website.

Pursuant to Rule 3010.12(a)(4), the Postal Service identifies Mr. Steven Phelps as the official who will be available to provide responses to queries from the Commission. Mr. Phelps' contact information is as follows:

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I. Description of Price and Classification Changes

In this filing, the Postal Service provides notice of its plan to introduce a new method of Move Update verification and amend the existing Move Update assessment charge applicable to commercial First-Class Mail® letters and flats, and USPS Marketing Mail® letters and flats. The Postal Service also proposes to remove mention of the Move Update assessment charge in the USPS Marketing Mail Parcels section of the MCS. In addition, the Postal Service is proposing to extend the \$0.00 Full-Service ACS fee to qualifying Basic automation and non-automation pieces mailed by a predominantly Full-Service mailer. The Postal Service describes the Move Update and Full-Service ACS proposals in turn, below.

A. Move Update Assessment Charge and Address Quality Census Assessment and Measurement Process

Postal Service regulations on Move Update compliance require mailers submitting commercial First-Class Mail and USPS Marketing Mail letters and flats to update addresses to reflect Change of Address (COA) orders. Compliance with the Move Update standard is a basic eligibility requirement for mailers of USPS Marketing Mail, and of First-Class Mail using commercial automation and presort rates.² The Move Update standard requires mailers to use USPS-approved methods to match customer-filed COA orders to its address records to ensure that the addresses used for mailing are updated within the 95 days preceding the mailing date.³ Addresses that were not updated using COA orders within the preceding 95 days are treated as COA errors, if identified by the Postal Service.

Presently, in sites with a Mail Evaluation Readability Lookup INstrument (MERLIN®), Move Update verification of USPS Marketing Mail and First-Class Mail letters and flats is performed at acceptance on a sample of a Performance-Based-Verification-selected mailing. Under this method of Move Update verification, referred to henceforth as “the MERLIN method,” sampling is used both to determine which mailings are verified for Move Update compliance, and to limit verification of the sampled mailings to just a sample of the pieces in the mailing. Both types of sampling allow the Postal Service to avoid the expense of installing multiple MERLIN machines at each acceptance location, and to limit delays in mail acceptance.⁴ If the sample from a

² Mailing Standards of the United States Postal Service, Domestic Mail Manual (DMM) § 233.3.3(f)(1) and § 233.3.4 (First-Class Mail) and § 243.3.9 (USPS Marketing Mail).

³ DMM § 602.5.1.

⁴ The sampling has also allowed the Postal Service to stop or reduce MERLIN Move Update verifications at certain locations.

mailing selected for verification contains COA errors above the error threshold (30 percent of COAs not corrected), then the current Move Update assessment charge of \$0.07 is applied to the percentage of mailpieces in the entire mailing above 30 percent. In other words, under MERLIN, mailpieces with and without COA errors are charged the Move Update assessment charge. The Commission approved the MERLIN method in Docket No. R2010-1. Today, nearly seven years later, the MERLINS, from both a software and hardware perspective, have reached end-of-life for Move Update verification.

The proposed MCS changes introduce the Address Quality Census Assessment and Measurement Process (“the Census method”) as a new approach to measuring the proportion of pieces mailed that have not been properly updated to reflect a COA order. The Census method improves upon the MERLIN method by checking all eligible pieces, rather than relying on sampling. In addition, instead of relying on the presence of MERLINS to perform Move Update verifications at acceptance, the Census method utilizes Intelligent Mail barcode (IMb) technology to verify the address quality of mail submitted via electronic documentation (eDoc), after it is entered into the mailstream. Under the Census method, address quality would be evaluated on a calendar month basis by calculating the ratio of mailpieces submitted in a calendar month with COA errors, to all qualifying mailpieces submitted by a mailer in that calendar month. If this ratio is greater than the error threshold (planned to be 0.5 percent of all eligible pieces),⁵ the Move Update assessment charge, which the Postal Service is proposing to increase

⁵ See discussion on page 10 for the distinctions between this new threshold and the current MERLIN threshold of 30 percent.

from \$0.07 to \$0.08, would apply to the number of mailpieces with COA errors that exceed the threshold.⁶

Consequently, to avoid being assessed the Move Update assessment charge, no more than 0.5 percent of eligible mailpieces submitted by a mailer in a calendar month can have COA errors. For instance, if a mailer submits 1,000 qualifying mailpieces in a month, the mailer will be deemed to have adequate address quality, thus avoiding the Move Update assessment charge, if five or fewer mailpieces contain COA errors (5 divided by 1,000, times 100 = 0.5 percent). In other words, the tolerated COA failure rate for this mailer is five mailpieces. If the number of mailpieces with COA errors exceeds the tolerated failure rate, the mailpieces above the tolerated failure rate will be assessed the charge. Therefore, if six of the 1,000 mailpieces contain COA errors, one mailpiece would be assessed the Move Update assessment charge.

The Postal Service has determined that a Move Update assessment charge of \$0.08, and a threshold of 0.5 percent, are appropriate to encourage mailers to improve their address quality by reducing COA mail, a subset of Undeliverable as Addressed (UAA) mail. In Docket No. R2010-1, the Commission recognized that the Move Update assessment charge is designed to serve as an incentive.⁷ The purpose of the charge is to alter mailer behavior before mailings are submitted to the Postal Service, *i.e.*, to encourage compliance with an existing mail preparation requirement. In plain terms, the Postal Service's objective is not to assess mailers the charge; hence,

⁶ As was the case with MERLIN verification, Census verification alone does not establish compliance or noncompliance with the Move Update standard.

⁷ Order No. 348, at 16. As the Postal Service articulated in Docket No. R2010-1, it “does not view the assessment as a price for not updating an address within the 95-day period.” Response of the United States Postal Service to Chairman’s Information Request No. 1, PRC Docket No. R2010-1 (Nov. 3, 2009), Question 3. Instead, the Postal Service believes \$0.08 would serve as an adequate incentive for mailers across both classes of mail.

the aim is not to recoup the cost of handling UAA mailpieces. The Postal Service anticipates that as a result of the Census method, including the information made available to mailers via a “Mailer Scorecard” and the threat of the assessment fee, address quality will improve so that COA errors are kept below the threshold.

The Mailer Scorecard is a key feature of the Census method as it provides mailers with information about COA errors that both encourages and assists mailers in updating their addresses. The Mailer Scorecard is a report available to eDoc submitters, mail preparers, and mail owners that provides summary and detailed information on their mail quality over the calendar month. All COA errors, both above and below the error threshold, are available to mailers on the Mailer Scorecard. The Mailer Scorecard is updated every day with Census results from the previous 24 hours, and piece-level error information is also available to mailers upon request. The Postal Service believes that assessment across a calendar month is an appropriate mechanism to avoid assessing mailers when an individual mailing with COA errors exceeding the threshold is an anomaly. In addition, assessment across a calendar month aligns the Census method with other Mailer Scorecard metrics.

It bears mentioning that the Census method, by charging only the mailpieces with COA errors, addresses the Commission’s concern that the MERLIN “formula for determining the amount of the mailing to be assessed [was] not well designed to achieve the Postal Service’s stated goals of ‘enhanc[ing] operational efficiency by reducing Undeliverable As Addressed (UAA) mail’ and reducing Postal Service costs.”⁸ The Commission also stated that “[a] more equitable approach would appear to be the

⁸ Id.

alternative suggested by PostCom, *et al.* whereby the surcharge would be applied only to the portion of the mailing with non-updated addresses,” and emphasized that assessing the mailpieces with COA errors “would more closely align the rate incentive with the mail characteristics that drive Postal Service costs.”⁹

Moreover, the Commission astutely anticipated that modifying the methodology to charge only the mailpieces with COA errors “would likely also require other aspects of the assessment to be modified as well, *e.g.*, the fee and tolerance levels.”¹⁰ The Census approach allows the Postal Service to verify every eligible mailpiece, thereby enabling it to limit the charge to mailpieces with COA errors and still provide an adequate incentive for compliance with the Move Update standard.

Lastly, the Postal Service is proposing to remove an inaccurate reference to the Move Update assessment charge from the USPS Marketing Mail Parcels section of the MCS; the charge does not apply to that product.

B. Extension of the Full-Service ACS fee to non-Full Service mailpieces

Presently, one of the benefits of the Full-Service Intelligent Mail[®] program is no-fee Address Correction Service (ACS)¹¹ for mailpieces prepared in accordance with Full-Service requirements. In order to further encourage the adoption of Full-Service and to increase the number of mailers that receive address quality information, the Postal Service is proposing to extend no-fee ACS to mailers who (1) enter qualifying Basic automation and non-automation mailpieces that meet the criteria of the Census method, and (2) meet a Full-Service threshold of 95 percent along with other

⁹ Id.

¹⁰ Id.

¹¹ ACS allows a mailer to obtain a customer’s correct address or the reason for nondelivery, provided through the Postal Service Computerized Forwarding System.

requirements.¹² The Postal Service is proposing to add classification language to reflect this extension in section 1505.1.1(e) of the MCS.¹³

II. Price Cap Compliance

In compliance with Rules 3010.12(b)(1) through (4), the following section describes the applicable CPI-U price cap, the percentage change in prices for the First-Class Mail, USPS Marketing Mail, and Special Services classes, the amount of unused price adjustment authority available for the First-Class Mail, USPS Marketing Mail, and Special Services classes from prior dockets, and the amount of new unused price adjustment authority after these price changes.

For mailers who certify that they have met the Move Update requirement but exceed the Move Update error threshold, the proposed First-Class Mail and USPS Marketing Mail price adjustments increase the existing Move Update assessment charge from \$0.07 to \$0.08. However, because the Census method limits the assessment to mailpieces with COA errors above the threshold (rather than assessing a percentage of the entire mailing above the threshold as is currently done under the MERLIN method) mailers would generally pay less for each mailing verified under the Census method, compared to what would be charged under MERLIN.¹⁴

For example, consider how one commercial First-Class Mail letters mailing of 100,000 pieces would perform under the MERLIN method versus the Census method.

¹² The Basic mailpieces must be prepared as follows:

- Bear a unique IMb printed on the mailpiece.
- Include a Full-Service ACS or OneCode ACS® STID in the IMb.
- Include the unique IMb in eDoc.
- Provide accurate mail owner identification in eDoc.

¹³ More details are provided in Address Quality Census Measurement and Assessment Process, 82 Fed. Reg. 11871 (proposed Feb. 27, 2017).

¹⁴ In some cases a mailer can pay more under the Census method than under the MERLIN method. But that is not the typical case.

As a reminder, the MERLIN method threshold is 30 percent, which represents the ratio of COA errors to the total number of mailpieces in the sample for which a COA order exists. Under the MERLIN method, if 1,000 pieces are sampled, 15 of those pieces have a COA order, and 6 of those 15 pieces have a COA error, the mailer has exceeded the threshold by 10.0 percent (40.0 percent of sampled COA pieces are in error). Therefore, the mailer would be assessed the \$0.07 charge on 10,000 mailpieces (10 percent of the 100,000 piece mailing), generating an assessment of \$700.

Assuming that the proportion of pieces with COA errors in the 1,000 piece sample (0.6 percent) were representative and directly proportional to the pieces with COA errors in the 100,000 piece mailing, the mailing would also have 0.6 percent (600 pieces) with COA errors. Because this exceeds the threshold of 0.5 percent by 0.1 percent, 100 mailpieces would be assessed the \$0.08 Move Update assessment charge. Therefore, this mailing would incur a total assessment of \$8 under the Census method, far below the \$700 assessment under the MERLIN method.¹⁵

The MERLIN/Census comparisons presented in **USPS-LR-R2017-7/4** show that 98.5 percent of the mailers that incurred the Move Update assessment charge under MERLIN would have paid less under the Census method. A few paid more, but that unusual result likely reflects instances in which the Census evaluation yielded a greater rate of errors during the observed period than MERLIN samples indicated. As shown in the price cap workpapers also being filed today and noted below, however, the

¹⁵ Note, this MERLIN versus Census assessment example provides a simple mailing by mailing comparison, with one mailing assessed by both methods in the calendar month.

proposals do not impact the price cap because of the small magnitude of the decrease.¹⁶

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 1.542 percent. See Attachment B. This is based on the *Consumer Price Index – All Urban Consumers, U.S. All Items (the “CUUR0000SA0” series)* and conforms with Rule 3010.22, which governs the calculation of the annual limitation when notices of rate adjustment are filed less than 12 months apart.

B. Price Cap Impact of 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 affected market-dominant class.¹⁷ The fixed weights are based on the most recently compiled 12 months of billing determinants (FY 2016, Quarter 3 through FY 2017, Quarter 2), with adjustments that are supported and reasonable.

C. Percentage Change by Mail Class

As demonstrated in USPS-LR-R2017-7/1, USPS-LR-R2017-7/2, USPS-LR-R2017-7/3, and USPS-LR-R2017-7/NP1, the prices for the First-Class Mail, USPS Marketing Mail, and Special Services classes comply with the annual limitation of price adjustment authority available to the Postal Service. The percentage change in prices

¹⁶ The price cap analysis is based on a comparison of the revenue generated under MERLIN to the revenue generated under Census, for mailings from which the Move Update assessment charge was collected under MERLIN in the hybrid billing determinant year and would be subject to Census. Revenue resulting from expanded enforcement of Move Update compliance, whether because of the addition of MERLIN machines or, equivalently, the broader scope of Census verification, does not affect the calculation of the percentage change in rates.

¹⁷ 39 C.F.R. § 3010.23.

for First-Class Mail is 0.000 percent.¹⁸ The percentage change in prices for USPS Marketing Mail is 0.000 percent.¹⁹ The percentage change in prices for Special Services is a decrease of 0.044 percent. These changes are less than the new inflation-based price adjustment authority.

D. Overall Price Adjustment Authority

Combining the “inflation-based” and the “percentage change by mail class” figures, the Postal Service calculates the new unused authority for the First-Class Mail class to be 1.542 percent. The Postal Service calculates the unused new authority available for the USPS Marketing Mail class to be 1.542 percent. The Postal Service calculates the unused new authority available for the Special Services class to be 1.586 percent.

E. Unused Price Adjustment Authority

The existing unused rate adjustment authority for the First-Class Mail class is 0.024 percent.²⁰ The existing unused rate adjustment authority for the USPS Marketing Mail class is 0.027 percent.²¹ The existing unused rate adjustment authority for the Special Services class is 0.067 percent.²² The Postal Service will not utilize any of its unused price adjustment authority in this docket.

F. Unused Pricing Authority Resulting From this Change

¹⁸ Rounding the percentage change to three decimal places in accordance with Commission Rule 3010.22(c) produces this result.

¹⁹ See *supra* note 18.

²⁰ Order No. 3610, Order on Price Adjustments for First-Class Mail, Standard Mail, Periodicals, and Package Services Products and Related Mail Classification Changes, PRC Docket No. R2017-1 (Nov. 15, 2016), at 20.

²¹ *Id.* at 30.

²² Order No. 3670, Order on Price Adjustments for Special Services Products and Related Mail Classification Changes, PRC Docket No. R2017-1 (Dec. 15, 2016), at 8.

After the price changes, the Postal Service calculates its total unused price adjustment authority as follows:

Table 1
Unused Pricing Authority Available Following this Price Change

Class	Percentage Points
First-Class Mail	
R2017-1 [1]	0.024
R2017-7 [2]	1.542
Total	1.566
USPS Marketing Mail	
R2017-1 [1]	0.027
R2017-7 [2]	1.542
Total	1.569
Special Services	
R2017-1 [1]	0.067
R2017-7 [2]	1.586
Total	1.653

[1] Existing unused price adjustment authority.

[2] Cap Calculation worksheets (USPS-LR-R2017-7/1, USPS-LR-R2017-7/2, and USPS-LR-R2017-7/3).

III. Objectives and Factors, Workshare Discounts, and Preferred Rates

In compliance with Rules 3010.12(b)(5) through (8), the Postal Service in this section discusses how the planned program “help[s] achieve” the objectives of section 3622(b) and “properly take[s] into account” the factors of section 3622(c); how the proposal impacts workshare discounts; and its consistency with section 3626.

A. Objectives and Factors

The objectives listed in section 3622(b)²³ underlie Congress’ mandate that there be a new, “modern system for regulating rates and classes for market dominant

²³ 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.

products,” to replace the prior ratemaking system of the Postal Reorganization Act (PRA). 39 U.S.C. 3622(a). These principles are largely addressed by the design of the regulatory system itself, rather than through the particulars of any one pricing change made pursuant to that system. Any price change made pursuant to the price cap structure set forth by section 3622(d) “helps achieve” many of the objectives, e.g., Objective 1 (“maximize incentives to reduce costs and increase efficiency”), Objective 2 (“create predictability and stability in rates”), and Objective 8 (“establish and maintain a just and reasonable schedule for rates and classifications”).

This price adjustment and classification changes do not substantially alter the degree to which First-Class Mail and USPS Marketing Mail prices already address these objectives, or how they are addressed by the design of the system itself (Objectives 1, 2, 3, 6, 7, 8, and 9).

Objective 1 states that the new regulatory system should “maximize incentives to reduce costs and increase efficiency.” Because the Census method is designed to encourage mailers to update their addresses pursuant to the Move Update standard, the Postal Service will avoid the costs associated with the disposition of mailpieces that, but for mailer compliance with the Move Update standard, would have had COA errors. At the same time, the reduction in UAA mail will increase operational efficiency. The Postal Service’s decision to style the Census method as an incentive, with the Move Update assessment charge and Mailer Scorecard applying only to mailpieces with COA errors, demonstrates the Postal Service’s pricing flexibility under the PAEA (Objective 4). In addition, the proposal to extend free ACS to non-Full Service mailpieces

submitted by mailers preparing a significant portion of their volume as Full Service is yet another example of the Postal Service's pricing flexibility (Objective 4).

The proposed ACS changes will cause only a slight decrease in Postal Service revenues, but are expected to encourage mailers to increase Full-Service preparation and contribute to the financial stability of the Postal Service (Objective 5). The ACS changes also provide an incentive for mailers to achieve a very high level of Full-Service adoption, which will assist in obtaining service performance data and greater transparency for mailers (Objective 3). The introduction of the Census method of Move Update verification is not expected to have a significant impact on Postal Service revenue, but is expected to decrease UAA mail, thereby contributing to the financial stability of the Postal Service (Objective 5). The Postal Service's high quality service standards will be further improved through faster delivery to customers who have recently moved but whose addresses may not have been updated in the absence of a Move Update assessment charge (Objective 3). Further, a parallel assessment of \$0.08 per piece for both First-Class Mail and USPS Marketing Mail keeps administration simple, while discussions on the assessment approach with mailers have been well publicized through a transparent process that has included the publication of a proposed rule and two subsequent revisions in the Federal Register (Objective 6).²⁴

In addition to the objectives specified and discussed above, section 3622(c) enumerates fourteen factors, or considerations, that must be taken into account. Again, these Move Update assessment changes do not substantially alter the degree to which

²⁴ See Address Quality Census Measurement and Assessment Process, 82 Fed. Reg. 11871 (proposed Feb. 27, 2017); 81 Fed. Reg. 43,965 (proposed July 6, 2016); 79 Fed. Reg. 76,930 (proposed Dec. 23, 2014).

First-Class Mail and USPS Marketing Mail prices address many of the Factors of section 3622(c) (Factors 1, 4, 5, 6, 8, 9, 10, 11, 12, 13, and 14).

As discussed previously in this notice and in Docket No. R2009-2 and Docket No. R2010-1, the Move Update assessment charge provides an incentive to encourage mailers to meet the Move Update standard, while still being reasonable, and takes the impact of price changes into account (Factors 3 and 7). The proposals are prime examples of how the Postal Service can enhance operational efficiency by reducing UAA mail through the use of customer-supplied COA orders (Factors 7 and 12). As mentioned in the Objectives section, the Postal Service anticipates that the Census method will encourage mailer compliance with the Move Update standard as a result of the threat of assessment and information provided via the Mailer Scorecard, thereby decreasing the number of mailpieces with COA errors, which will in turn reduce Postal Service costs (Factors 5 and 12). Furthermore, as discussed in the Objectives section, because of the limited impact of these price and classification changes, the changes should not materially affect First-Class Mail or USPS Marketing Mail's overall robust cost coverage (Factor 2). Lastly, the Postal Service expects that the free ACS proposal will encourage more mailers to prepare their mail as Full Service (Objective 13).

B. Workshare Discounts

The Postal Service does not believe that the proposals impact workshare discounts. Therefore, all of the passthrough values may still be calculated using the discounts approved in Docket No. R2017-1 and the Docket No. ACR2016 FY 2016 cost avoidances.

C. Preferred Rates

There is no price change affecting the preferred rates in USPS Marketing Mail. Moreover, the changes in the application of the assessment to USPS Marketing Mail is not expected to affect the 60-percent ratio between the prices for nonprofit and commercial mail.

D. MCS Changes

Rule 3010.12(b)(9) requires that this Notice identify all the changes to the MCS that will be necessary to implement the planned 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.²⁵ The substantive rate and classification changes for this filing include the following:

- Increase Move Update Assessment Charge in First-Class Mail and USPS Marketing Mail from \$0.07 to \$0.08
- Revise Move Update Assessment Charge classification language in First-Class Mail and USPS Marketing Mail to reflect the change in Move Update verification method
- Delete an erroneous reference to the Move Update Assessment Charge in USPS Marketing Mail Parcels
- Amend “Address Correction Service,” an Ancillary Service in Special Services, by extending Full-service ACS to qualifying First-Class Mail and USPS Marketing Mail mailpieces

E. Conclusion

The Postal Service and its customers, including mailers and recipients of the mail, benefit from a reduction in UAA mail. The Postal Service has carefully considered the Move Update verification change and extension of free ACS in light of customer

²⁵ Attachment A is based on the June 23, 2017 draft MCS provided by the Commission at <http://www.prc.gov/mail-classification-schedule>. The classification changes are shown in legislative format.

concerns, with respect to both First-Class Mail and USPS Marketing Mail. There will be a minor change in revenues and only limited impact on the price cap under the modified assessment.

Respectfully submitted,

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CHANGES TO MAIL CLASSIFICATION SCHEDULE

(Deletions are marked by strikethrough and additions are underlined. Some unchanged language is included, but only to show the location of the changes.)

PART A

MARKET DOMINANT PRODUCTS

1100 First-Class Mail

1110 Presorted Letters/Postcards

1110.5 Prices

Move Update Assessment Charge

Add \$0.087 per assessed piece, for mailings that fail Move Update verification under the Address Quality Census Measurement and Assessment Process, with less than 70 percent of mailpieces passing a Performance Based Verification at acceptance and which cannot demonstrate compliance with Move Update requirements.

1115 Flats

1115.5 Prices

Move Update Assessment Charge

Add \$0.087 per assessed piece, for mailings that fail Move Update verification under the Address Quality Census Measurement and Assessment Process, with less than 70 percent of mailpieces passing a Performance Based Verification at acceptance and which cannot demonstrate compliance with Move Update requirements.

1200 USPS Marketing Mail (Commercial and Nonprofit)

1205 High Density and Saturation Letters

1205.6 Prices

Move Update Assessment Charge

Add \$0.087 per assessed piece, for mailings that fail Move Update verification under the Address Quality Census Measurement and Assessment Process, with less than 70 percent of mailpieces passing a Performance Based Verification at acceptance and which cannot demonstrate compliance with Move Update requirements.

1210 High Density and Saturation Flats/Parcels

1210.6 Prices

Move Update Assessment Charge

Add \$0.087 per assessed piece, for mailings that fail Move Update verification under the Address Quality Census Measurement and Assessment Process, with less than 70 percent of mailpieces passing a Performance Based Verification at acceptance and which cannot demonstrate compliance with Move Update requirements.

1215 Carrier Route

1215.6 Prices

Move Update Assessment Charge

Add \$0.087 per assessed piece, for mailings that fail Move Update verification under the Address Quality Census Measurement and Assessment Process, with less than 70 percent of mailpieces passing a Performance Based Verification at acceptance and which cannot demonstrate compliance with Move Update requirements.

1220 Letters

1220.6 Prices

Move Update Assessment Charge

Add \$0.087 per assessed piece, for mailings that fail Move Update verification under the Address Quality Census Measurement and Assessment Process, with less than 70 percent of mailpieces passing a Performance Based Verification at acceptance and which cannot demonstrate compliance with Move Update requirements.

1225 Flats

1225.6 Prices

Move Update Assessment Charge

Add \$0.087 per assessed piece, for mailings that fail Move Update verification under the Address Quality Census Measurement and Assessment Process, with less than 70 percent of mailpieces passing a Performance Based Verification at acceptance and which cannot demonstrate compliance with Move Update requirements.

1230 Parcels

1230.4 Price Categories

The following price categories are available for the product specified in this section:

- ~~Move Update Assessment Charge~~

1230.6 Prices

~~Move Update Assessment Charge~~

~~Add \$0.07 per assessed piece, for mailings with less than 70 percent of mailpieces passing a Performance Based Verification at acceptance and which cannot demonstrate compliance with Move Update requirements.~~

1500 Special Services

1505 Ancillary Services

1505.1 Address Correction Service

1505.1.1 Description

- a. Address Correction Service provides a mailer, upon request, both an addressee's former and current addresses, if the correct address is known to the Postal Service or, if not known, the reason for non-delivery.
- b. Address Correction Service is available for postage-prepaid mail of all classes, except for mail addressed for delivery at any military installation and for Customized MarketMail pieces.
- c. Address Correction Service is mandatory for Periodicals mail.
- d. Full-service, Automated and Electronic Address Correction Service is available to mailers who can receive computerized address corrections and meet barcoding, address hygiene, and other mail preparation requirements.
- e. Full-service Address Correction Service is only available for mailings of First-Class Mail automated letters, cards, and flats, USPS Marketing Mail automation letters and flats; USPS Marketing Mail Carrier Route, High Density, and Saturation letters; Periodicals Outside County barcoded or Carrier Route letters and flats; Periodicals In-County automation or Carrier Route letters and flats; and Bound Printed Matter barcoded Presort non-DDU flats. The mailings must comply with the requirements for the Full-service Intelligent Mail option. In addition, Full-service Address Correction Service is available for qualifying Basic IMb and non-automation First-Class Mail and USPS Marketing Mail letters and flats, submitted by qualifying Full-service mailers.

1505.1.2 Prices

	(\$)
Manual correction, each	
First-Class Mail piece, on-piece correction only	0.00
Other	0.58
Electronic correction, each	
First-Class Mail piece	0.12
Other	0.31
Automated correction (Letters Only)	
First-Class Mail piece	
First two notices, for a given address change, each	0.06
Additional notices, for a given address change, each	0.13
USPS Marketing Mail piece	
First two notices, for a given address change, each	0.09
Additional notices, for a given address change, each	0.26
Full-service correction, each	0.00

ATTACHMENT B: PRICE CAP CALCULATION

Calculation of amount of applicable change in CPI-U and Price Cap

	CPI ^[1]	Last 12 Months Point-to-Point ^[2]	12-Month Total ^[3]	12-Month Total Divided by 12 ^[4]	Base Average ^[5]	12-Month Moving Average ^[6]	Rule 3010.22.b Adjustment ^[7]
May-14	237.900	2.1%	2814.8	234.563	231.017	1.535%	
Jun-14	238.343	2.1%	2819.6	234.966	231.352	1.562%	
Jul-14	238.250	2.0%	2824.2	235.354	231.727	1.565%	
Aug-14	237.852	1.7%	2828.2	235.685	232.018	1.580%	
Sep-14	238.031	1.7%	2832.1	236.009	232.247	1.620%	
Oct-14	237.433	1.7%	2836.0	236.332	232.432	1.678%	
Nov-14	236.151	1.3%	2839.1	236.589	232.670	1.685%	
Dec-14	234.812	0.8%	2840.8	236.736	232.957	1.622%	
Jan-15	233.707	-0.1%	2840.6	236.719	233.260	1.483%	
Feb-15	234.722	0.0%	2840.6	236.714	233.478	1.386%	
Mar-15	236.119	-0.1%	2840.4	236.699	233.771	1.253%	
Apr-15	236.599	-0.2%	2839.9	236.660	234.150	1.072%	
May-15	237.805	0.0%	2839.8	236.652	234.563	0.891%	
Jun-15	238.638	0.1%	2840.1	236.677	234.966	0.728%	
Jul-15	238.654	0.2%	2840.5	236.710	235.354	0.576%	
Aug-15	238.316	0.2%	2841.0	236.749	235.685	0.451%	
Sep-15	237.945	0.0%	2840.9	236.742	236.009	0.311%	
Oct-15	237.838	0.2%	2841.3	236.776	236.332	0.187%	
Nov-15	237.336	0.5%	2842.5	236.874	236.589	0.120%	
Dec-15	236.525	0.7%	2844.2	237.017	236.736	0.119%	
Jan-16	236.916	1.4%	2847.4	237.284	236.719	0.239%	
Feb-16	237.111	1.0%	2849.8	237.484	236.714	0.325%	
Mar-16	238.132	0.9%	2851.8	237.651	236.699	0.402%	
Apr-16	239.261	1.1%	2854.5	237.873	236.660	0.513%	
May-16	240.229	1.0%	2856.9	238.075	236.652	0.601%	
Jun-16	241.018	1.0%	2859.3	238.273	236.677	0.675%	
Jul-16	240.628	0.8%	2861.3	238.438	236.710	0.730%	
Aug-16	240.849	1.1%	2863.8	238.649	236.749	0.803%	
Sep-16	241.428	1.5%	2867.3	238.939	236.742	0.928%	0.122%
Oct-16	241.729	1.6%	2871.2	239.264	236.776	1.051%	0.257%
Nov-16	241.353	1.7%	2875.2	239.598	236.874	1.150%	0.398%
Dec-16	241.432	2.1%	2880.1	240.007	237.017	1.262%	0.569%
Jan-17	242.839	2.5%	2886.0	240.501	237.284	1.355%	0.776%
Feb-17	243.603	2.7%	2892.5	241.042	237.484	1.498%	1.003%
Mar-17	243.801	2.4%	2898.2	241.514	237.651	1.625%	1.201%
Apr-17	244.524	2.2%	2903.4	241.953	237.873	1.715%	1.384%
May-17	244.733	1.9%	2907.9	242.328	238.075	1.786%	1.542%

[1] Consumer Price Index -- All Urban Consumers, U.S. All Items (the "CUUR0000SA0" series)

[2] Difference between the current month CPI [column C] and CPI for the same month, previous year, divided by CPI for same month, previous year

[3] Sum of the most recent 12 months' CPI measurements in column C

[4] Recent Average: column E divided by 12

[5] Base Average: The average CPI-U index for the 12 months immediately prior to the Recent Average. Only necessary to the cap calculation when 12 or more months have passed since the last notice of rate adjustment.

[6] 12-Month Moving Average: Recent Average divided by Base Average. Subtract one from quotient.

[7] Partial Year Limitation: Rule 3010.22 requires an adjustment to the 12-Month Moving Average whenever fewer than 12 months have passed since the most recent notice of rate adjustment. The adjustment calculates the unused rate authority by dividing the Recent Average in the current month (column F, cell F68) by the Recent Average utilized in the previous rate adjustment (column F, cell F59), and subtracting one from the quotient.

This results in a Partial Year Limitation of 1.542 percent.