

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

**NOTICE OF REVISIONS TO
UNITED STATES POSTAL SERVICE
NOTICE OF MARKET-DOMINANT PRICE ADJUSTMENT – ERRATA
(July 25, 2017)**

On June 30, 2017, the Postal Service filed its Notice of Market Dominant Price Adjustment in this docket. The Postal Service today files revisions to that Notice to correct an inaccurate statement and two typographical errors, and make two corrections emanating from Chairman's Information Request (ChIR) No. 3, as discussed below.

USPS Marketing Mail

Page 1 of the Notice incorrectly stated that the Move Update standard, which is set forth in *Mailing Standards of the United States Postal Service, Domestic Mail Manual* § 602.5, does not apply to USPS Marketing Mail Parcels. The Move Update standard applies to USPS Marketing Mail Parcels. Rather, the Postal Service is proposing to delete the reference to the Move Update assessment charge in the USPS Marketing Mail Parcels section of the Mail Classification Schedule because the assessment charge has not applied to that product under the MERLIN method, and would not apply under the Census proposal.

Special Services

On July 20, 2017, the Postal Service submitted a corrected Special Services CapCalc Excel file with its response to ChIR No. 3, question 2. The corrections caused slight changes to the percentage change in prices for Special Services, which fell from 0.044 percent to 0.043 percent, and the total unused pricing authority available for Special Services following this price change, which fell from 1.653 percent to 1.652 percent.

Summary of Changes

The resulting changes in the text of the June 30 Notice are as follows:

Page 1, lines 9-10

Change “which is not subject to the Move Update standard” to “because the Move Update assessment charge does not apply to that product.”

Page 4, line 7

Change “its” to “their”

Page 7, line 4

Correct “thresold” to “threshold.”

Page 12, line 3

Change “0.044 to “0.043.”

Page 13, Table 1

Change Special Services total from “1.653” to “1.652.”

Copies of the revised pages (1, 4, 7, 12, and 13) of the Notice are attached below.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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**REVISED PAGES FROM NOTICE OF
MARKET DOMINANT PRICE CHANGE**

BEFORE THE
POSTAL REGULATORY COMMISSION
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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, **because the Move Update assessment charge does not apply to that product**; 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.

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 **their** 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.

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.

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 0.043 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	1.652

[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.