

Market Dominant Mailers and Competitive Shippers Comments at 1-2.¹ Indeed the minimum contribution requirement is not just unneeded, it is potentially problematic. Suppose an array of market dominant and competitive rates with hundreds of rate cells is at a level that brings the Postal Service the most profit, yielding a particular contribution level. If the Commission sets the minimum contribution requirement below this level, then the minimum plays no role at all. If the Commission sets the minimum above this level, then the specified level of contribution would not accrue, and the competitive products would not pay it. But it is even worse than this – there is no way for the Commission to determine a level that is not too low and not too high, which is precisely why the 2006 Postal Accountability and Enforcement Act afforded substantial pricing flexibility to the Postal Service.²

As the Commission notes there is significant support for eliminating the minimum contribution requirement.³ Indeed, much of the Commission’s reasoning, with which PSA agrees, supports eliminating the requirement.

- The minimum contribution requirement is not needed to prevent cross subsidization. The requirement that competitive product revenues exceed incremental costs already serves this purpose. Order No. 4402 at 75.
- The minimum contribution requirement is not needed to prevent the Postal Service from sacrificing contribution to increase the scale of its operations because USPS has demonstrated no inclination to do so. Indeed, USPS has substantially increased competitive product contribution over the last decade. *Id.* at 4402 at 75. In FY 2017, competitive products contributed \$7 billion to institutional costs, paying for 23 percent of total institutional costs. See FY 2017 ACD at 92.

¹ Comments of Parcel Shippers Association, Alliance of Nonprofit Mailers, American Catalog Mailers Association, Continuity Shippers Association, Data & Marketing Association, Envelope Manufacturers Association, National Association of Presort Mailers, National Newspaper Association, PSI Systems, and Stamps.Com (“Market Dominant Mailers and Competitive Shippers”)(January 23, 2017).

² Pub. L. No. 109-435, 120 Stat. 3198 (Dec. 20, 2006).

³ See Order No. 4402 at 89 (“Amazon, Panzar, the Postal Service, Stamps.com, NALC, MDMCS, ACMA, eBay, and BOS recommend that the Commission eliminate the appropriate share.”).

- The minimum contribution requirement is not needed to ensure that competitive products cover "costs [that] are uniquely or disproportionately associated with any competitive products." All of these costs are already included in competitive product attributable costs. Order No. at 43-45.
- The minimum contribution requirement is not needed to ensure that competitive products cover fully allocated/distributed cost (FDC) because FDC costing "has long been rejected by the Commission and by economists in general as being inherently arbitrary." *Id.* at 81.

Consistent with this reasoning, the Commission should take this opportunity to eliminate the unnecessary minimum contribution requirement altogether.

Respectfully submitted,

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