

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

MARKET-DOMINANT PRICE CHANGE

Docket No. R2020-1

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
CHAIRMAN'S INFORMATION REQUEST NO. 5**

(October 24, 2019)

The Postal Service hereby responds to Chairman's Information Request No. 5, issued on October 18, 2019. Each question is stated verbatim and is followed by the response.

Respectfully submitted,
UNITED STATES POSTAL SERVICE

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USPS Marketing Mail

1. Please refer to Library Reference USPS-LR-R2020-1/2, October 9, 2019, Excel file "CAPCALC-USPSMM-R2020-1.xlsx," tab "New Price."
 - a. Please confirm the breakpoint prices (per-piece price + (per-pound price / 16 ounces * 4 ounces)) for the following pound-rated pieces:

Product	Discount	Commercial Breakpoint Price	Nonprofit Breakpoint Price
Letters	Nonmachinable Mixed AADC (no dropship)	\$0.685	\$0.507
Letters	Nonmachinable AADC (no dropship)	\$0.650	\$0.472
Letters	Nonmachinable 3-Digit (no dropship)	\$0.594	\$0.416
Letters	Nonmachinable 5-Digit (no dropship)	\$0.501	\$0.323
Letters	Nonmachinable Mixed AADC DNDC Dropship	\$0.642	\$0.464
Letters	Nonmachinable AADC DNDC Dropship	\$0.607	\$0.429
Letters	Nonmachinable 3-Digit Dropship	\$0.551	\$0.373
Letters	Nonmachinable 5-Digit (no dropship)	\$0.458	\$0.280
Letters	Nonmachinable AADC DSCF Dropship	\$0.596	\$0.418
Letters	Nonmachinable 3-Digit DSCF Dropship	\$0.540	\$0.362
Letters	Nonmachinable 5-Digit DSCF Dropship	\$0.447	\$0.269
High Density / Saturation Letters	Saturation DNDC Dropship	n/a	\$0.097
High Density / Saturation Letters	Saturation DSCF Dropship	n/a	\$0.090
High Density / Saturation Letters	High Density Plus DNDC Dropship	n/a	\$0.105
High Density / Saturation Letters	High Density Plus DSCF Dropship	n/a	\$0.098
High Density / Saturation Letters	High Density DNDC Dropship	n/a	\$0.127

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High Density / Saturation Letters	High Density DSCF Dropship	n/a	\$0.120
Carrier Route	DNDC Dropship Letters	n/a	\$0.187
Carrier Route	DSCF Dropship Letters	n/a	\$0.180
High Density / Saturation Flats and Parcels	Saturation DNDC Dropship Flats	n/a	\$0.097
High Density / Saturation Flats and Parcels	Saturation DSCF Dropship Flats	n/a	\$0.090
High Density / Saturation Flats and Parcels	Every Door Direct Mail (EDDM) DNDC Dropship Flats	n/a	\$0.098
High Density / Saturation Flats and Parcels	EDDM DSCF Dropship Flats	n/a	\$0.091
High Density / Saturation Flats and Parcels	High Density Plus DNDC Dropship Flats	n/a	\$0.105
High Density / Saturation Flats and Parcels	High Density Plus DSCF Dropship Flats	n/a	\$0.098
High Density / Saturation Flats and Parcels	High Density DNDC Dropship Flats	n/a	\$0.127
High Density / Saturation Flats and Parcels	High Density DSCF Dropship Flats	n/a	\$0.120
Carrier Route	DSCF Dropship Flats	n/a	\$0.180
Carrier Route	DDU Dropship Flats	n/a	\$0.169
Carrier Route	Bundles/Pallets DSCF Dropship Flats	n/a	\$0.161
Carrier Route	Bundles/Pallets	n/a	\$0.150

- b. If subpart a is confirmed, please also confirm that each of these breakpoint prices is less than its respective per-piece price. If not confirmed, please provide a comparison of the listed breakpoint prices and per-piece prices.

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- c. If subpart b is confirmed, please revise Library Reference USPS-LR-R2020-1/2 to ensure breakpoint prices equal their respective per-piece prices.

RESPONSE:

- a. Confirmed
- b. Confirmed, except the breakpoint price for Nonmachinable AADC (no dropship) Letters is greater than the per-piece price, and the breakpoint price for Carrier Route DNDC Dropship Letters is equal to the per-piece price.

The Marketing Mail rate structure transitions from piece-only prices for light weight pieces to a combined piece/pound price regime for heavier pieces. Given the complexity of the Marketing Mail rate design, pricing constraints and priorities make it impractical to equalize all breakpoint prices. In such cases, the graph of the prices is often characterized as a "broken hockey stick." This question concerns two discrete broken hockey stick issues relating to Nonmachinable Letters (first 11 rows in the table) and Nonprofit rates (last 20 rows in the table); the Postal Service addresses each one in turn below.

As MCS § 1220.6 indicates, Nonautomation Nonmachinable Letters that weigh over 4 ounces pay Nonautomation Flats prices. Therefore, they are reported with the Flats product in the RPW and the CapCalc file. In contrast, the lighter weight Nonautomation Nonmachinable letters pieces are priced and reported within the Letters product. Prices for the Letters product and Flats product are developed independently,

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and there are different presort and dropship cost avoidances for Letters and Flats making it difficult to achieve continuity between the rate structures. In at least the last two price change dockets (Docket Nos. R2018-1 and R2019-1), neither the Postal Service nor the Commission viewed this breakpoint discrepancy as an issue.

The next twenty broken hockey sticks relate to Nonprofit prices. Minor differences (of 0.1 cents) exist between the pound-rated and piece-rated prices at the breakpoint of 4 ounces. In the complex Marketing Mail pricing model, the origin entry piece price is calculated using the pound prices at the 4-ounce weight. Because the Postal Service is required to maintain equal Nonprofit and Commercial discounts (unless a reasonable justification exists for any disparity), the deeper dropship prices are derived using the discounts offered to Commercial pieces. This methodology, including rounding, resulted in the 0.1 cent differences.

c. Given that there is no law or regulation that compels eliminating these discrepancies in the instant docket, the Postal Service is not submitting a revised workpaper at this time. Nevertheless, Postal Service management will consider recommending that the Governors, in future filings, amend the MCS to move all Nonmachinable Letters into the Flats product and, to the extent practicable, establish smooth transitions at the Nonprofit breakpoints.

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Package Services

2. Please refer to Library Reference USPS-LR-R2020-1-4, October 9, 2019, Excel file "CAPCALC-PACKSERV-R2020-1.xlsx," tab "ML Overweight BD," cells D5 and D6.
 - a. Please confirm that the overweight item charge went into effect on January 27, 2019.¹ If not confirmed, please provide the effective date.
 - b. Please confirm that the Postal Service assessed zero overweight item charges in FY 2019 Quarters 2 and 3. If not confirmed, please identify the number of items (volume) subject to this charge for each fiscal quarter.

RESPONSE:

- a. Confirmed.
- b. Confirmed.

¹ See New Mailing Standards for Domestic Mailing Services Products, 83 Fed. Reg. 52,353 (Oct. 17, 2018) (to be codified at 39 C.F.R. pt. 111).

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3. Please identify all adjustments made in the workpapers to account for the proposed price increase to Pickup on Demand Service for Bound Printed Matter Parcels and Media Mail/Library Mail.

RESPONSE:

No adjustments to the workpapers were needed because there was zero volume for Pickup on Demand for these products during the entire hybrid year, and thus no price cap impact. Pickup on Demand lines can be added to the workpapers for BPM Parcels and Media Mail/Library Mail, but no adjustment is needed until there is nonzero volume for Pickup on Demand.