

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

MARKET-DOMINANT PRICE CHANGE

Docket No. R2020-1

**SUPPLEMENTAL COMMENTS OF THE
NATIONAL POSTAL POLICY COUNCIL**
(November 27, 2019)

The National Postal Policy Council (“NPPC”) respectfully submits these comments on the Postal Service’s amended notice of revised First-Class rates filed in response to Order No. 5302.¹ In that Order, the Commission found that the First-Class Mail rates noticed by the Postal Service in its October 9 filing would violate the price cap, and remanded to the Postal Service to modify them to bring the adjustments to within permissible levels. NPPC supports the Postal Service’s response to Order No. 5302 and respectfully recommends its approval.

I. INTRODUCTION

In its *Comments* on the Postal Service’s initial filing, NPPC explained that the rates for Presort First-Class Mail are, and for many years have been, unreasonably high and that both overall First-Class Presort price levels and

¹ *United States Postal Service Response To Order No. 5302*, Docket No. R2020-1 (Nov. 20, 2019) (“USPS Response”). The Commission issued public notice in Order No. 5318. *Notice and Order on Amended Price Adjustments and Classification Changes for First-Class Mail*, Docket No. R2020-1 (Nov. 27, 2019).

workshare discount passthroughs often fail to send economically efficient signals, do not maximize cost reduction, and harm the Postal Service's finances.²

These matters remain substantial concerns to NPPC members, and NPPC looks forward to continuing to address these issues with the Commission. However, NPPC will limit these comments to the amended rates in the *USPS Response*.

II. THE POSTAL SERVICE'S AMENDED RATES ARE RESPONSIVE TO NPPC'S CONCERNS

In its *Response*, the Postal Service amended its proposal by adjusting the proposed new rate for First-Class Automation 5-Digit Letters at \$0.389, a \$0.006 increase from the current rate. By doing so, it increased the discount between the 5-Digit and AADC tiers by \$0.002. No other proposed rates were modified. If approved, that rate would take effect on January 26, 2020, along with all of the other previously-filed rates, which were unchanged. *USPS Response* at 11.

Also in its *Response*, the Postal Service asked the Commission to reconsider its price cap ruling and also offered alternative workpapers if the Commission were to approve the transfer of Inbound E-Format Letter Post mail to the Competitive side by year end.³ However, the Postal Service stated that the amended 5-Digit rate would take effect regardless of the disposition of those two requests, and any cap space made available by a Commission decision

² *Comments of the National Postal Policy Council*, Docket No. R2020-1 (Oct. 29, 2019). NPPC also expressed concerns about the adequacy of the Postal Service's justification for the newly proposed rates. In Order No. 5302, the Commission directed the Postal Service to address more fully how the proposed rates comport with the Section 3622 Objectives and Factors.

³ *See Motion of the United States Postal Service To Effectuate Transfer On January 1, 2020, And Application For Non-Public Treatment*, Docket No. MC2019-17 (Nov. 20, 2019).

favorable to the Postal Service would be banked. *Id.* (stating that the Postal Service intends to implement the revised First-Class Mail rate on January 26, 2020, even if the Commission reconsiders its remand or accelerates the transfer of Inbound E-Format Letter Post).

NPPC acknowledges and appreciates the Postal Service's amended proposal to temper the price increase for Automation 5-Digit Letters – a very important rate category to NPPC members -- by \$0.002. That single change addresses several of NPPC's concerns. It also has the benefit of not affecting any of the other proposed First-Class Mail rates that were filed on October 9, thus minimizing disruption to mailer planning.

First, NPPC notes that as a consequence of the amended rate, the net increase in the 5-Digit rate will now be below the rate of inflation. That modest reduction should also address, to a small degree, NPPC's concern about the cost coverage of that mail.

Second, as the Postal Service notes (*USPS Response* at 19), the adjustment also brings the workshare costs avoided passthrough for the 5-Digit discount closer to 100 percent and within the Commission's proposed presumptively valid "band" of passthroughs for First-Class and Marketing Mail ranging from 85 to 115 percent. See Order No. 4258, Docket No. RM2017-3, at 93 (Dec. 1, 2017). Setting that passthrough closer to 100 percent is a significant improvement, because Automation 5-Digit Letters are the largest volume rate category in First-Class Mail. Improving the economic efficiency of that mail's price signal promotes Objective 1 by helping to maximize cost savings, as well as

Factor 5 (the degree of preparation) and Factor 7 (pricing efficiency). As the Commission noted only recently, a below-average price increase for less costly Presort Mail is consistent with Objective 1 and reflects “a proper incentive” to encourage entry of mailpieces that would reduce Postal Service costs and would reduce the Postal Service’s mail processing costs per piece. Order No. 5285, at 36.

Finally, NPPC also notes that the Postal Service has provided a reasonable explanation for why it set the workshare cost savings passthrough for Nonautomation machinable letters at 53.3 percent. *USPS Response* at 19. That also addresses a criticism that NPPC had raised in its *Comments*.

III. CONCLUSION

For the foregoing reasons, the National Postal Policy Council supports the proposed amended new Automation 5-Digit rate filed in response to Order No. 5302, and submits that it fully complies with 39 U.S.C. §§3622(d)(1)(A) and (d)(2)(A). NPPC therefore respectfully urges the Commission to approve it.

Respectfully submitted,

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