

ORDER NO. 5373

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Chairman;
Michael Kubayanda, Vice Chairman;
Mark Acton;
Ann C. Fisher; and
Ashley E. Poling

Notice of Market-Dominant
Price Adjustment

Docket No. R2020-1

ORDER APPROVING PRICE ADJUSTMENTS AND RELATED MAIL
CLASSIFICATION CHANGES FOR FIRST-CLASS MAIL



Washington, DC 20268-0001
December 20, 2019

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(Issued December 20, 2019)

I. INTRODUCTION AND OVERVIEW

In Order No. 5302, the Commission remanded the Postal Service's planned First-Class Mail price adjustments¹ for non-compliance with certain legal requirements.² On November 20, 2019, the Postal Service filed a response to Order No. 5302 proposing to set the price for 5-Digit Automation Presort Letters as \$0.389, instead of

¹ United States Postal Service Notice of Market-Dominant Price Change, October 9, 2019 (Notice); Notice of Correction to Attachment A (Mail Classification Schedule) – Errata, October 10, 2019 (October 10, 2019 Errata).

² Order Remanding Price Adjustments for First-Class Mail, November 13, 2019, at 2, 25-26 (Order No. 5302).

\$0.391 as previously proposed.³ The Postal Service proposes to maintain all other prices and associated classification changes previously proposed for First-Class Mail and the intended effective date of January 26, 2020. Response to Order No. 5302 at 1, 20. As stated in Order No. 5340, the Commission concludes that the planned First-Class Mail price adjustments, as amended, comply with the price cap limitations specified by 39 U.S.C. § 3622(d), comply with the workshare discount limitations appearing in 39 U.S.C. § 3622(e), and do not implicate the pricing requirements appearing in 39 U.S.C. §§ 3626, 3627, and 3629.⁴

The Commission applies the requirements of the Postal Accountability and Enhancement Act, Pub. L. 109-435, 120 Stat. 3198 (2006) (PAEA), the Administrative Procedure Act, Pub. L. 79-404, 60 Stat. 237 (1946) (APA), and the Commission's regulations to determine whether the First-Class Mail proposals are consistent with applicable law.⁵ The planned price adjustments are consistent with the objectives of 39 U.S.C. § 3622(b) and the factors of 39 U.S.C. § 3622(c). The Commission also concludes that the planned classification changes related to the Calendar Year (CY) 2020 promotions, with the revisions set forth in the body of this Order, are consistent with applicable law and regulations. All changes to the Mail Classification Schedule (MCS) appear in the Attachment following the signature line of this Order.

³ United States Postal Service Response to Order No. 5302, November 20, 2019, at 11-12 (Response to Order No. 5302).

⁴ Order on Amended Price Adjustments and Classification Changes for First-Class Mail, December 6, 2019, at 3-4 (Order No. 5340).

⁵ See *Carlson v. Postal Reg. Comm'n*, 938 F.3d 337, 345 (D.C. Cir. 2019).

Because the planned adjustments for the other Market Dominant classes were previously approved by the Commission,⁶ this Order solely considers issues presented for First-Class Mail.

II. PROCEDURAL HISTORY

A. Notice and Initial Proceedings

Below, the Commission summarizes the procedural history relevant to the First-Class Mail price adjustments.

On October 9, 2019, the Postal Service filed its Notice with the Commission pursuant to 39 U.S.C. § 3622 and 39 C.F.R. part 3010. In its Notice, the Postal Service announced its intention to adjust the prices for Market Dominant products on January 26, 2020 at 12:01 a.m. by amounts that are within the available price adjustment authority for each class of mail. Notice at 1. The Notice includes four attachments, which present the planned price and related product description changes to the MCS, workshare discount calculations, price cap calculations, and the promotions schedule, respectively. Notice, Attachments A-D. The Postal Service filed two public library references and one non-public library reference in support of its Notice relating to First-Class Mail:

- Library Reference USPS-LR-R2020-1/1, October 9, 2019 First-Class Mail Workpapers
- Library Reference USPS-LR-R2020-1-6, October 9, 2019 First-Class Mail International Billing Determinants Workpapers

⁶ Order on Price Adjustments for USPS Marketing Mail, Periodicals, Package Services, and Special Services Products and Related Mail Classification Changes, November 22, 2019 (Order No. 5321).

- Library Reference USPS-LR-R2020-1/NP1, October 9, 2019, First-Class Mail International and Inbound Letter Post Workpapers (Nonpublic)

The Postal Service requested non-public treatment of information pertaining to Outbound Single-Piece First-Class Mail International (Outbound Single-Piece FCMI) and Inbound Letter Post contained in Library Reference USPS-LR-R2020-1/NP1.⁷ On October 10, 2019, the Postal Service corrected the prices applicable to First-Class Mail Automation Postcards and Nonautomation Presorted Machinable Postcards. October 10, 2019 Errata.

On October 10, 2019, the Commission issued Order No. 5273, which provided public notification of the Notice; established Docket No. R2020-1 to consider the planned price adjustments' consistency with applicable statutory and regulatory requirements; appointed a Public Representative; and provided an opportunity for interested persons to comment.⁸ The Commission notified the public that any issues specifically related to the decision of the United States Court of Appeals for the District of Columbia Circuit to vacate the First-Class Mail price adjustments authorized by Order No. 4875⁹ would be addressed in a separate order in Docket No. R2019-1 and would not be adjudicated as part of Docket No. R2020-1.¹⁰

⁷ See USPS Notice of Filing USPS-LR-R2020-1/NP1, October 9, 2019, Attachment 1.

⁸ Notice and Order on Price Adjustments and Classification Changes for Market Dominant Products, October 10, 2019, at 3-4 (Order No. 5273). Order No. 5273 addresses the Comments on Procedure of the National Postal Policy Council, the Greeting Card Association, and the Major Mailers Association, October 10, 2019, and the United States Postal Service Response to Procedural Schedule Comments, October 10, 2019. *Id.* at 4 n.4.

⁹ See *Carlson*, 938 F.3d at 352; see also Docket No. R2019-1, Order on Price Adjustments for First-Class Mail, USPS Marketing Mail, Periodicals, Package Services, and Special Services Products and Related Mail Classification Changes, November 13, 2018 (Order No. 4875).

¹⁰ Order No. 5273 at 3-4; see also Docket No. R2019-1, Order Approving Price Adjustments for First-Class Mail, October 24, 2019 (Order No. 5285).

Thirteen questions were posed to the Postal Service through the issuance of Chairman's Information Requests (CHIRs) relating to the planned First-Class Mail price adjustments.¹¹ The Postal Service filed responses to each of these questions.¹² Some of these responses revised the planned MCS language and the supporting workpapers. On October 23, 2019, the Postal Service filed revised MCS language for the CY 2020 Earned Value Reply Mail promotion for First-Class Mail. Response to CHIR No. 3, question 1. On October 25, 2019, the Postal Service filed corrected public and non-public workpapers for First-Class Mail in response to issues relating to Inbound Letter Post referenced in CHIR No. 4, question 2, CHIR No. 6, question 1, and CHIR No. 7, questions 2-4.¹³ On October 30, 2019, the Postal Service filed corrected public

¹¹ Chairman's Information Request No. 1, October 10, 2019, questions 1-5 (CHIR No. 1); Chairman's Information Request No. 3, October 16, 2019, question 1 (CHIR No. 3); Chairman's Information Request No. 4, October 17, 2019, question 2 (CHIR No. 4); Chairman's Information Request No. 6, October 21, 2019, question 1 (CHIR No. 6); Chairman's Information Request No. 7, October 22, 2019, questions 2-4 (CHIR No. 7); Chairman's Information Request No. 8, October 24, 2019, questions 1-2 (CHIR No. 8).

¹² Response of the United States Postal Service to Chairman's Information Request No. 1, October 15, 2019, questions 1-5 (Response to CHIR No. 1); Response of the United States Postal Service to Chairman's Information Request No. 3, October 23, 2019, question 1 (Response to CHIR No. 3); Response of the United States Postal Service to Chairman's Information Request No. 4, October 23, 2019, question 2 (Response to CHIR No. 4); Responses of the United States Postal Service to Chairman's Information Request No. 6, Questions 1-4 and 12-17, October 25, 2019, question 1 (October 25 Response to CHIR No. 6); Responses of the United States Postal Service to Chairman's Information Request No. 7, October 25, 2019, questions 2-4 (Response to CHIR No. 7); Response of the United States Postal Service to Chairman's Information Request No. 8, October 30, 2019, questions 1-2 (Response to CHIR No. 8). The Commission accepts the late filing of the Response to CHIR No. 8. While no formal motion to extend the response deadline for CHIR No. 8 nor a motion for late acceptance was submitted, the Commission acknowledges the unforeseen data issues referenced by the Postal Service, that no person has objected to the late filing, and that no person appears to be prejudiced by the late filing. See Response to CHIR No. 8.

¹³ USPS Notice of Filing Revised Library Reference USPS-LR-R2020-1/1, October 25, 2019; USPS Notice of Filing Revised USPS-LR-R2020-1/NP1 and Revised Application for Non-Public Treatment, October 25, 2019; Response to CHIR No. 4, question 2; October 25 Response to CHIR No. 6, question 1; Response to CHIR No. 7, questions 2-4.

workpapers for First-Class Mail in response to issues relating to the CY 2020 promotions referenced in CHIR No. 8, questions 1-2.¹⁴

In response to the Notice, the Commission received comments from 23 commenters regarding First-Class Mail.¹⁵ Appendix A to this Order provides a list of commenters and citations to the comments that discuss First-Class Mail filed in this proceeding.

B. Remand and Further Proceedings

On November 13, 2019, the Commission remanded the Postal Service's planned First-Class Mail price adjustments for non-compliance with certain legal requirements. Order No. 5302 at 2, 25-26. Specifically, the Commission determined that the Postal Service's planned First-Class Mail price adjustments would exceed the price cap because the Postal Service made impermissible adjustments to the billing determinants related to Inbound Letter Post. Order No. 5302 at 2. On November 20, 2019, the Postal Service filed a response to Order No. 5302 proposing to set the price for Presorted Letters/Postcards 5-Digit Automation Letters as \$0.389, instead of \$0.391 as previously proposed. Response to Order No. 5302 at 11-12. In conjunction with this proposed revision, the Postal Service filed the planned changes to the MCS and workshare discount calculations. *Id.* Attachments A, B. The Postal Service proposes to maintain all other prices and associated classification changes previously proposed for

¹⁴ USPS Notice of Filing Revised Library References, October 30, 2019; Response to CHIR No. 8, questions 1-2.

¹⁵ Three additional comments raise issues that exclusively pertain to the planned price adjustments for other Market Dominant classes and are not addressed by this Order. See Comments of the American Catalog Mailers Association (ACMA), October 28, 2019 (discussing USPS Marketing Mail); Letter from Jerry Mack, October 10, 2019 (same); Comments of MPA - the Association of Magazine Media, October 29, 2019 (discussing Periodicals). As stated earlier, all issues related to other Market Dominant classes, including those raised in comments, are discussed in Order No. 5321.

First-Class Mail and the intended effective date of January 26, 2020. Response to Order No. 5302 at 1, 20.

The Postal Service filed one public library reference and one non-public library reference:

- Library Reference USPS-LR-R2020-1/7, November 20, 2019 First-Class Mail Workpaper (Remand)
- Library Reference USPS-LR-R2020-1/NP2, November 20, 2019 Inbound Letter Post Workpaper (Remand)

The Postal Service requested non-public treatment of information pertaining to Inbound Letter Post contained in Library Reference USPS-LR-R2020-1/NP2.¹⁶ Both library references calculate the percentage change in rates and total unused price adjustment authority under three alternative scenarios for adjusting the billing determinants for Inbound Letter Post. Scenario 1 maintains the adjustment previously proposed by the Postal Service, which was rejected by the Commission in Order No. 5302.¹⁷ Scenario 2 makes an adjustment that would correspond with the approval of the Postal Service's request to accelerate the transfer of Inbound Letter Post Small Packets and Bulky Letters and associated Inbound Competitive International Registered

¹⁶ See USPS Notice of Filing USPS-LR-R2020-1/NP2, November 20, 2019, at 1.

¹⁷ Library Reference USPS-LR-R2020-1/7, November 20, 2019, Excel file "CAPCALC-FCM-R2020-1 Remand Calc 1.xlsx;" Library Reference USPS-LR-R2020-1/NP2, November 20, 2019, Excel file "Inbound CAPCALC-R2020-1 Remand Calc 1.xlsx;" see Order No. 5302 at 25.

Mail Service (collectively referred to as Inbound E-format Letter Post) to take effect on January 1, 2020.¹⁸ Scenario 3 makes neither adjustment.¹⁹

On November 21, 2019, the Commission issued Order No. 5318, which provided public notification of the amended pricing proposal and provided an opportunity for interested persons to comment.²⁰ The Postal Service filed its response to one question concerning a change to the Internal Air Conveyance fee.²¹ The Commission received seven comments on the amended pricing proposal, which are referenced in Appendix A. On December 6, 2019, the Commission issued Order No. 5340, which notified the public that the amended price adjustments comply with the price cap limitations specified by 39 U.S.C. § 3622(d), comply with the workshare discount requirements of § 3662(e), and do not implicate the pricing requirements appearing in §§ 3626, 3627, and 3629. Order No. 5340 at 3-4. The Commission expressly reserved disposition of issues not addressed in Order No. 5340, including consistency with the statutory objectives and factors, billing determinant adjustments, the amount of unused price adjustment authority for First-Class Mail, the Postal Service's request to accelerate the transfer, and comments.

¹⁸ Library Reference USPS-LR-R2020-1/7, Excel file "CAPCALC-FCM-R2020-1 Remand Calc 2.xlsx;" Library Reference USPS-LR-R2020-1/NP2, Excel file "Inbound CAPCALC-R2020-1 Remand Calc 2.xlsx;" see Docket No. MC2019-17, Motion of the United States Postal Service to Effectuate Transfer on January 1, 2020, and Application for Non-Public Treatment, November 20, 2019 (Docket No. MC2019-17 Motion).

¹⁹ Library Reference USPS-LR-R2020-1/7, Excel file "CAPCALC-FCM-R2020-1 Remand Calc 3.xlsx;" Library Reference USPS-LR-R2020-1/NP2, Excel file "Inbound CAPCALC-R2020-1 Remand Calc 3.xlsx."

²⁰ Notice and Order on Amended Price Adjustments and Classification Changes for First-Class Mail, November 21, 2019 (Order No. 5318).

²¹ Chairman's Information Request No. 10, November 25, 2019 (CHIR No. 10); Response of the United States Postal Service to Chairman's Information Request No. 10, November 27, 2019 (Response to CHIR No. 10).

On December 19, 2019, the Commission approved the request to accelerate the transfer effective date to January 1, 2020.²²

III. PRICE ADJUSTMENT AUTHORITY

A. Introduction

Five products are assigned to First-Class Mail: (1) Single-Piece Letters/Postcards; (2) Presorted Letters/Postcards; (3) Flats; (4) Outbound Single-Piece FCMI; and (5) Inbound Letter Post. Table III-1 shows the percentage price change for each First-Class Mail product as calculated by the Commission.

²² Docket Nos. MC2019-17 and CP2019-155, Order Granting Postal Service's Motion and Approving Prices for Inbound Letter Post Small Packets and Bulky Letters, December 19, 2019 (Order No. 5372).

**Table III-1
First-Class Mail Price Changes (by Product)**

First-Class Mail Product	Price Change %
Single-Piece Letters/Postcards	-0.002
Presorted Letters/Postcards	1.607
Flats	9.389
Outbound Single-Piece FCMI	4.557
Inbound Letter Post	0.703
Overall	1.548
Source: Library Reference PRC-LR-R2020-1/6, December 20, 2019, Excel file "PRC_CAPCALC-FCM-R2020-1.xlsx," tab "Percent Change Summary."	

B. The Postal Service's Position

The Postal Service proposes to set the price for 5-Digit Automation Presort Letters as \$0.389, instead of \$0.391 as previously proposed. Response to Order No. 5302 at 11-12. The Postal Service proposes to maintain all other prices and associated classification changes previously proposed for First-Class Mail and the intended effective date of January 26, 2020. *Id.* at 1, 20.

The Postal Service calculates the percentage change in rates and total unused price adjustment authority under three alternative scenarios for adjusting the billing determinants for Inbound Letter Post. *Id.* at 9-13. Under all three scenarios, the Postal Service proposes to maintain four adjustments to the billing determinants relating to Share Mail, Picture Permit, Keys and Identification Devices Additional Ounce, and Outbound First-Class Mail International volumes. *Id.* at 20 (citing Notice at 18-19).

C. Comments

NPPC, PostCom, and the Public Representative assert that the amended pricing proposal complies with the price cap. NPPC Supplemental Comments at 4; PostCom Supplemental Comments at 1; PR Supplemental Comments at 4.

D. Commission Analysis

As stated in Order No. 5340, the Postal Service's amended First-Class Mail price adjustments comply with the price cap limitations specified by 39 U.S.C. § 3622(d) and do not implicate the pricing requirements appearing in 39 U.S.C. §§ 3626, 3627, and 3629. The Postal Service's planned price adjustment of 1.548 percent is less than the total price adjustment authority of 1.933 percent.²³ Therefore, the total unused price adjustment authority available for First-Class Mail is 0.385 percent.²⁴ The Commission accepts the Postal Service's adjustments to the billing determinants regarding Share Mail, Picture Permit, Keys and Identification Devices Additional Ounce, and Outbound First-Class Mail International volumes as reasonable.

Because the Commission has approved the Postal Service's request to effectuate the transfer on January 1, 2020, which is prior to the implementation of the Docket No. R2020-1 price changes that take effect on January 26, 2020, it is reasonable to adjust the billing determinants to remove Inbound E-format Letter Post, as proposed by the Postal Service under Scenario 2. Scenarios 1 and 3, both of which are contingent on the transfer not occurring until July 1, 2020, are therefore not applicable. The acceleration of the transfer to January 1, 2020 therefore renders the Postal Service's request for reconsideration of Order No. 5302 (acceptance of Scenario

²³ For First-Class Mail, the current annual limitation is 1.900 percent. In addition to the annual limitation, First-Class Mail has 0.033 percent of existing unused rate adjustment authority available. Therefore, the total pricing authority available for First-Class Mail is 1.933 percent. See Library Reference PRC-LR-R2020-1/6.

²⁴ See *id.*; see also Section III, Table III-1, *supra*.

1) moot. With respect to Order No. 5302's interpretation of 39 C.F.R. § 3010.23(d)(2) and Commission precedent, the Commission remains unpersuaded by the Postal Service's request for reconsideration. The Commission notifies the Postal Service that it may file a separate petition for a rulemaking, which would allow the opportunity for public comment and full consideration, if the Postal Service seeks to challenge the Commission's interpretation of its rules.

IV. WORKSHARE DISCOUNTS EXCEEDING AVOIDED COSTS

A. Introduction

The Commission is required to ensure that workshare "discounts do not exceed the cost that the Postal Service avoids as a result of workshare activity" unless the discount falls within a specified exception. 39 U.S.C. § 3622(e)(2). Commission rules require the Postal Service to justify any proposed workshare discount that exceeds 100 percent of the avoidable costs by explaining how it meets one or more exceptions under the PAEA. 39 C.F.R. § 3010.12(b)(6).

B. The Postal Service's Position

The Postal Service states that no planned First-Class Mail workshare discounts exceed avoided costs. Response to Order No. 5302 at 19.

C. Comments

The Public Representatives observes that all planned First-Class Mail workshare discounts are equal to or below their avoided costs. PR Supplemental Comments at 4.

D. Commission Analysis

As stated in Order No. 5340, no planned workshare discounts exceed their avoided costs; therefore, the Commission approves all proposed workshare discounts as consistent with 39 U.S.C. § 3622(e).

V. CY 2020 PROMOTIONS

A. The Postal Service's Position

The Postal Service plans to continue offering four promotions applicable to eligible First-Class Mail pieces during CY 2020: Emerging and Advanced Technology Promotion, Earned Value Reply Mail Promotion, Personalized Color Transpromo Promotion, and Informed Delivery Promotion. Response to Order No. 5302 at 20.

1. Emerging and Advanced Technology Promotion (Mar. 1 – Aug. 31, 2020)

The Postal Service plans to offer an upfront 2-percent postage discount on First-Class Mail presort or automation letters, postcards, and flats that meet the Emerging and Advanced Technology Promotion requirements. Notice at 20. To qualify for the CY 2020 promotion, eligible mailpieces must include affixed or embedded technology that allows the recipient to engage in a technological experience, or have been automatically generated by the recipient's applicable online activities. *Id.*

2. Earned Value Reply Mail Promotion (Apr. 1 – Jun. 30, 2020)

The Postal Service plans to offer the Earned Value Reply Mail Promotion for 3 months in CY 2020. *Id.* at 21. The Postal Service plans to offer a \$0.02 postage credit for each Business Reply Mail (BRM), Courtesy Reply Mail (CRM), and Share Mail piece

entered into the mailstream.²⁵ The promotion is available to repeat participants (those who registered for this promotion in CY 2019) who meet or exceed 93 percent of their comparable volume from April 1, 2019 through June 30, 2019, as well as new participants (those who were not registered for the promotion in CY 2019) without any volume threshold.²⁶ The Postal Service also plans to offer an additional \$0.02 credit (for a total of \$0.04) for repeat participants who exceed 100 percent of their comparable volume from April 1, 2019 through June 30, 2019.²⁷ The Postal Service explains that credits may be applied to postage for future mailings of First-Class Mail presort or automation letters, postcards, and flats. Notice at 21. Unused credits will expire December 31, 2020. *Id.* Attachment D at 6.

The Postal Service considers the credits for the Earned Value Reply Mail Promotion to be rates of general applicability consistent with 39 C.F.R. § 3010.1(g). Response to CHIR No. 3, question 1.a.-1.c. To support its position, the Postal Service references the Commission's decision in Docket No. R2019-1, in which the Commission included in its percentage change in rates calculation a different iteration of the Earned Value Reply Mail Promotion. *Id.* In that iteration, a \$0.03 credit was offered to new mailers without any volume threshold and to repeat participants who met or exceeded 95 percent of their volume from the prior year.²⁸ The Postal Service argues that “[t]o the

²⁵ See *id.* at 20-21; see also Response to CHIR No. 3, question 1.d.

²⁶ See Notice at 20-21; see also Response to CHIR No. 3, question 1.d.

²⁷ In its Notice, the Postal Service explains that under the terms of this promotion “mailers must *meet or exceed* 93 percent of their comparable volume last year to receive a two-cent credit...or 100 percent of their comparable volume last year to receive a four-cent postage credit...” Notice at 20 (emphasis added). However, in the MCS language initially proposed by the Postal Service, it was not clear whether the 4-cent credit would be available to a repeat participant who met but did not exceed 100 percent of their comparable volume last year. See *id.* Attachment A at 8, 15, 21, 28, 34-35, 38-39, 47-48. In response to a CHIR, the Postal Service provided revised MCS language but did not specifically address this issue. See Response to CHIR No. 3, question 1.d. The Commission construes this as an affirmation of the MCS language initially drafted—that eligible mailers must not only meet but *exceed* 100 percent of their prior year volume in order to be eligible for the additional credit.

²⁸ See *id.*; see also Order No. 4875 at 8, 10.

extent the Commission views [any] earlier statements [concerning what constitutes a rate of general applicability] as conflicting with its Docket No. R2019-1 precedent, the Commission's most recent precedent must control." Response to CHIR No. 3, question 1.a.-1.c. The Postal Service further asserts that "[g]iven its financial condition, [it] generally cannot afford to provide promotional discounts that do not generate cap space, and would need to forgo the most efficient design of promotions if the Commission interprets the rate of general applicability rules too restrictively." *Id.*

3. Personalized Color Transpromo Promotion (July 1 – Dec. 31, 2020)

The Postal Service plans to offer an upfront 2-percent postage discount on First-Class Mail presort and automation letters—bills and statements only—that meet the Personalized Color Transpromo Promotion requirements. Notice at 21. For mailers who participated in this promotion in a prior year, the mailpiece must incorporate both dynamically printed color and personalized messaging to qualify for the CY 2020 promotion. *Id.* Attachment D at 6-7. Mailers who did not participate in this promotion in a prior year need only satisfy the dynamic color printing requirement to qualify for the CY 2020 promotion. *Id.* at 7.

4. Informed Delivery Promotion (Sept. 1 – Nov. 30, 2020)

The Postal Service plans to offer an upfront 2-percent discount off postage for First-Class Mail presort or automation letters, postcards, and flats that incorporate Informed Delivery advertising campaigns. Notice at 21. The Postal Service intends for this promotion to help mailers improve the results of their Informed Delivery campaigns. *Id.* Attachment D at 9. The Postal Service uses data from mailpieces qualifying for the promotion from September 1, 2019 through October 11, 2019, in order to incorporate the Informed Delivery Promotion into the price adjustment calculations. Response to CHIR No. 8, question 2. These data were used to extrapolate the 3-month promotional period. *Id.*

B. Comments

NAPM, NPPC, and PostCom support the Postal Service's decision to continue promotional pricing in CY 2020 for First-Class Mail. See NAPM Comments at 11; NPPC Comments at 2; PostCom Comments at 4-5. The Public Representative argues that part of the Earned Value Reply Mail Promotion does not constitute a rate of general applicability and should be excluded from the percentage change in rates calculation. PR Comments at 4. She maintains that there are fundamental differences between the CY 2019 iteration of the Earned Value Reply Mail Promotion, which was approved in Docket No. R2019-1, and the CY 2020 iteration proposed in this docket. *Id.* at 3. She argues that “[o]nly the credits available to both new and returning customers should be included in the price cap calculation because rates (including credits) that are not available to all mailers are rates not of general applicability.” *Id.* at 4. As a result, she asserts that “the additional 2-cent per piece credit available to returning customers should be omitted from the price change calculation.” *Id.*

C. Commission Analysis

The Commission approves all CY 2020 promotions as proposed. However, for the reasons detailed in Order No. 5321, the Commission will initiate a rulemaking to clarify the definition of “rate of general applicability” in light of the treatment of the CY 2020 Earned Value Reply Mail Promotion in the percentage change in rates calculation. See Order No. 5321 at 19-24. Given the ambiguity surrounding this issue, the Commission will permit the Earned Value Reply Mail Promotion to be included in the percentage change in rates calculation for purposes of this docket as the Postal Service proposes. However, the Commission will initiate a rulemaking to examine this issue further, where it will consider public comment and propose any necessary revisions to its rules for future price adjustments.

The Commission accepts the proposed changes to the MCS language for the CY 2020 Earned Value Reply Mail Promotion, as revised by the Postal Service. See Response to CHIR No. 3, question 1.d. The Commission also accepts the revisions to workpapers for the Earned Value Reply Mail Promotion and the Informed Delivery Promotion, which address the technical concerns identified in CHIR No. 8. See Response to CHIR No. 8, questions 1-2.

VI. THE OBJECTIVES AND FACTORS

A. Introduction

The Commission considers the relevant statutory objectives and factors as applied to the pricing changes proposed for First-Class Mail in this proceeding. See *Carlson*, 938 F.3d at 343; see also *id.* at 345. Determinations of which objectives and factors are relevant, how much weight to apply to particular objectives and factors, and how to balance the objectives and factors on review of a particular price adjustment are committed to the discretion of the Commission. See *id.* at 344. Such determinations vary on a case-by-case basis. See *id.* As a result, in any given case, there is not just one set of price adjustments that is consistent with the objectives and factors, but rather there is a range of acceptable price adjustments that satisfies the objectives and factors.

Applying the objectives and factors to price adjustments is necessarily fact-specific, situation-specific, and generally qualitative in nature.²⁹ The Commission also observes that some aspects of the objectives and factors are in tension with each other,

²⁹ See *Ass'n of Am. Publishers, Inc. v. Governors of U. S. Postal Serv.*, 485 F.2d 768, 774 (D.C. Cir. 1973) (“Like most other factors sheets, whether in statutes, A.L.I. Restatements, or comparable compilations, the factors listed are not analogous to a table of atomic weights, or to the multiplication table. The factors are reminders of relevant considerations, not counters to be placed on scales or weight-watching machines.”).

whereas other aspects may overlap.³⁰ Therefore, as discussed below, some pricing proposals at the product level or rate cell level³¹ may be in tension with particular components of certain objectives and factors; ultimately, the Commission determines that the weight of the balance favors approval of the proposed prices for First-Class Mail.³²

The nine objectives are:

- (1) To maximize incentives to reduce costs and increase efficiency
- (2) To create predictability and stability in rates
- (3) To maintain high quality service standards established under section 3691
- (4) To allow the Postal Service pricing flexibility
- (5) To assure adequate revenues, including retained earnings, to maintain financial stability
- (6) To reduce the administrative burden and increase the transparency of the ratemaking process
- (7) To enhance mail security and deter terrorism
- (8) To establish and maintain a just and reasonable schedule for rates and classifications, however the objective under this paragraph shall not be construed to prohibit the Postal Service from making changes of unequal magnitude within, between, or among classes of mail

³⁰ See, e.g., Docket No. RM2017-3, Order on the Findings and Determination of the 39 U.S.C. § 3622 Review, December 1, 2017, at 18, 65-66, 256-257, 260 (Order No. 4257).

³¹ Multiple rate cells, which refer to each price, are assigned to each product. By way of example, individual rate cells such as 1 ounce Single-Piece Machinable Stamped Letters (Stamped Letters) and 1 ounce Single-Piece Machinable Metered Letters (Metered Letters), and others are assigned to the Single-Piece Letters/Postcards product. See Library Reference PRC-LR-R2020-1/6.

³² The Commission's 10-year review determined that the ratemaking system has not achieved the objectives, taking into account the factors. Order No. 4257 at 275. The Commission does not interpret the discussion in this Order to affect this determination because the systemic flaws identified by the Commission in its 10-year review are not cured by this isolated adjustment to prices.

(9) To allocate the total institutional costs of the Postal Service appropriately between Market Dominant and Competitive products

39 U.S.C. § 3622(b).

The fourteen factors are:

- (1) the value of the mail service actually provided each class or type of mail service to both the sender and the recipient, including but not limited to the collection, mode of transportation, and priority of delivery
- (2) the requirement that each class of mail or type of mail service bear the direct and indirect postal costs attributable to each class or type of mail service through reliably identified causal relationships plus that portion of all other costs of the Postal Service reasonably assignable to such class or type
- (3) the effect of rate increases upon the general public, business mail users, and enterprises in the private sector of the economy engaged in the delivery of mail matter other than letters
- (4) the available alternative means of sending and receiving letters and other mail matter at reasonable costs
- (5) the degree of preparation of mail for delivery into the postal system performed by the mailer and its effect upon reducing costs to the Postal Service
- (6) simplicity of structure for the entire schedule and simple, identifiable relationships between the rates or fees charged the various classes of mail for postal services
- (7) the importance of pricing flexibility to encourage increased mail volume and operational efficiency
- (8) the relative value to the people of the kinds of mail matter entered into the postal system and the desirability and justification for special classifications and services of mail
- (9) the importance of providing classifications with extremely high degrees of reliability and speed of delivery and of providing those that do not require high degrees of reliability and speed of delivery
- (10) the desirability of special classifications for both postal users and the Postal Service in accordance with the policies of this title, including

agreements between the Postal Service and postal users, when available on public and reasonable terms to similarly situated mailers, that—

(A) either—

(i) improve the net financial position of the Postal Service through reducing Postal Service costs or increasing the overall contribution to the institutional costs of the Postal Service or

(ii) enhance the performance of mail preparation, processing, transportation, or other functions and

(B) do not cause unreasonable harm to the marketplace

(11) the educational, cultural, scientific, and informational value to the recipient of mail matter

(12) the need for the Postal Service to increase its efficiency and reduce its costs, including infrastructure costs, to help maintain high quality, affordable postal services

(13) the value to the Postal Service and postal users of promoting intelligent mail and of secure, sender-identified mail and

(14) the policies of this title as well as such other factors as the Commission determines appropriate

39 U.S.C. § 3622(c).

Below, the Commission summarizes the Postal Service's discussion of its planned pricing design and the comments received. Where relevant and in response to comments, this Order provides analysis of individual rates that demonstrate that the planned First-Class Mail price adjustments are consistent with the objectives and factors.

B. The Postal Service's Position

1. Single-Piece Letters/Postcards

The Postal Service contends that its proposal to maintain the current price of Stamped Letters at 55 cents is easy for consumers to remember and therefore

promotes simplicity (Factor 6). Notice at 12. It also states that this planned price freeze promotes predictability and stability in rates (Objective 2). *Id.* Asserting that the PAEA does not prevent different size increases in different years, the Postal Service observes that previous rate adjustments applied different percentage increases to Stamped Letters, Metered Letters, and Presorted Letters, and other categories.³³

The Postal Service asserts that the price of Stamped Letters is neither unjust nor unreasonable (Objective 8). Notice at 14. It adds that Stamped Letters are relatively less elastic and provide lower per-piece contribution than Presorted Letters/Postcards. *Id.* at 15. Therefore, the Postal Service contends that pricing Stamped Letters higher than Presorted Letters/Postcards is consistent with Objective 5, in that it furthers efforts to raise revenue and contribution from Stamped Letters. *Id.* at 15-16. The Postal Service asserts that proposing no increase to the price of Stamped Letters in Docket No. R2020-1 following the above-average increase applied in Docket No. R2019-1, and in conjunction with its proposal to increase Presorted Letters/Postcards by a larger amount in Docket No. R2020-1 compared to Docket No. R2019-1, is a reasonable exercise of its pricing flexibility (Objective 4), is designed to assure adequate revenue (Objective 5), and balances the effect of the price adjustments upon the general public and business mail users over time (Factor 3). *Id.* at 17.

The Postal Service states that the Commission comprehensively addressed comments related to the 5-cent increase applied to Stamped Letters in Order No. 5285 issued in Docket No. R2019-1 and that circumstances have not changed since the Commission issued Order No. 5285. Response to Order No. 5302 at 17-18.

³³ *Id.* at 13-14 n.21 (citing Docket No. R2017-1, Order on Price Adjustments for First-Class Mail, Standard Mail, Periodicals, and Package Services Products and Related Mail Classification Changes, November 15, 2016, at 18-20 (Order No. 3610); Docket No. R2015-4, Order on Price Adjustments for First-Class Mail Products and Related Mail Classification Changes, February 24, 2015, at 5-7 (Order No. 2365); Docket No. R2011-2, Order Revising Postal Service Market Dominant Price Adjustments, February 16, 2011, at 9-10, 17-18 (Order No. 675)).

The Postal Service claims that maintaining a 5-cent differential between the prices of Metered Letters and Stamped Letters furthers the operational efficiency advantages that Metered Letters provides over Stamped Letters (Objectives 1 and Factors 5, 7, and 12) and retains mail volume from small- and medium-sized businesses (Factor 4). Notice at 16. The Postal Service elaborates that meter-based payment is more efficient than stamp-based payment because it eliminates the need for stamp production, distribution, and cancellation. *Id.*

2. Presorted Letters/Postcards

As initially proposed by the Postal Service, the increase to Presorted Letters/Postcards would exceed the percentage change in the consumer price index for all urban consumers index (CPI-U) for the previous 12 months and the average adjustment initially proposed for the class.³⁴ However, to comply with Order No. 5302, the Postal Service's amended proposal would adjust Presorted Letters/Postcards and 5-Digit Automation Letters by amounts that are below the change in the CPI-U. Response to Order No. 5302 at 12-13. The Postal Service asserts that its amended filing is consistent with Objectives 2 and 6 because mailers that made plans in response to the proposed price adjustments in the Notice only need to account for one revised price. *Id.* at 14. The Postal Service maintains that its amended proposal, which raises the Bulk Letters—Automation 5-Digit Letters workshare discount, reinforces Objective 1 and Factor 5. *Id.*

The Postal Service contends that under the constraints of the price cap, it must execute pricing strategies over multiple years. *Id.* at 15. The Postal Service asserts that its proposal, which would increase prices for Presorted Letters/Postcards somewhat and would not increase the prices for Single-Piece Letters/Postcards,

³⁴ See Notice at 7; see also Library Reference USPS-LR-R2020-1/1, October 30, 2019, Excel file "CAPCALC-FCM-R2020-1 Revised 10-30-19.xlsx."

rebalances the effects of its decision in Docket No. R2019-1 to apply an above-average increase to Single-Piece Letters/Postcards and a below-average increase to Presorted Letters/Postcards (Factor 3). *Id.* The Postal Service asserts that the PAEA does not require it to increase prices for Single-Piece Letters/Postcards until its unit contribution matches Presorted Letters/Postcards and that such an interpretation would eviscerate pricing flexibility (Objective 4 and Factor 7). *Id.* Furthermore, the Postal Service asserts that multiple years of below-inflation price increases for Presorted Letters/Postcards are not contrary to Objective 8. *Id.* at 16.

3. Flats

The Postal Service asserts that increasing prices for Single-Piece Flats by 10.3 percent, Non-Automated Flats by 9.9 percent, and Automated Presort Flats by 7.2 percent is necessary for Flats to cover cost (Factor 2). Notice at 8, 14; *see also* Response to Order No. 5302 at 14. The Postal Service observes that although its Docket No. R2020-1 proposal will raise the additional ounce price by 33.3 percent, which is an absolute increase of 5-cents, the resulting price of 20 cents will be lower than the price of 21 cents applied in Docket No. R2018-1. See Notice at 8.

C. Comments

1. Single-Piece Letters/Postcards

Several commenters oppose the 10 percent (5-cent) increase the Postal Service applied to Stamped Letters in Docket No. R2019-1, which raised the price from 50 cents

to 55 cents.³⁵ Several commenters also oppose future increases being made in 5-cent increments.³⁶

Several commenters object that setting prices that are divisible by five is absurd and unsupported.³⁷ Douglas F. Carlson and PPI assert that 5-cent increases lack sufficient support to be deemed just and reasonable (Objective 8). Douglas F. Carlson Comments at 6; PPI Comments at 2-6. Douglas F. Carlson also contends that 5-cent increases lack sufficient support to be deemed fair and equitable (Factor 14 and 39 U.S.C. § 101(d)). Douglas F. Carlson Comments at 6-7. Multiple commenters assert that tying increases to divisibility by five is unfair.³⁸

Several commenters raise concerns that increases tied to divisibility by five would present affordability concerns, particularly for lower income individuals, and would provide no corresponding benefit.³⁹ Douglas F. Carlson asserts that the 55-cent price is not justified under Factor 3. Douglas F. Carlson Comments at 7-8. PPI asserts

³⁵ See, e.g., Bahnsen Comments at 1; Clair A. Carlson, Jr. Comments at 1; Douglas F. Carlson Comments at 1, 7, 9-10; Douglas F. Carlson Supplemental Comments at 2; Cohen Comments at 1; Erickson Comments at 1; Eutawville, SC Citizen Comments at 1; Kalish Comments at 1-2; Kennedy Comments at 1; Kluskens Comments at 1; Lopez Comments at 1; Ludeman Comments at 1; Pauly Comments at 1; Raheer Comments at 4; Sandridge Comments at 1; Tomsen Comments at 1; Wilson Comments at 1.

³⁶ See, e.g., Bahnsen Comments at 1; Clair A. Carlson, Jr. Comments at 1; Douglas F. Carlson Comments at 1-4, 9-10; Douglas F. Carlson Supplemental Comments at 2-3; Cohen Comments at 1; Erickson Comments at 1; Eutawville, SC Citizen Comments at 1; GCA Comments at 4-7; Kalish Comments at 1; Kennedy Comments at 1; Lopez Comments at 1; Pauly Comments at 1; PPI Comments at 2-6, 8; PPI Supplemental Comments at 2; Raheer Comments at 2-4; Wilson Comments at 1.

³⁷ See, e.g., Bahnsen Comments at 1; Clair A. Carlson Jr. Comments at 1; Douglas Carlson Comments at 1-4; Cohen Comments at 1; Erickson Comments at 1; GCA Comments at 4-7; Kalish Comments at 1; Kennedy Comments at 1; Lopez Comments at 1; PostCom Comments at 2; PPI Comments at 2-6, 8; Raheer Comments at 2-4; Wilson Comments at 1.

³⁸ See, e.g., Cohen Comments at 1; Eutawville, SC Citizen Comments at 1; Kluskens Comments at 1; Lopez Comments at 1.

³⁹ See, e.g., Douglas F. Carlson Comments at 7-8; Cohen Comments at 1; Eutawville, SC Citizen Comments at 1; Pauly Comments at 1; PPI Comments at 6-7.

that 5-cent increases will have a substantial impact for incarcerated persons and their families affecting Factors 2 and 3. PPI Comments at 6-7. PPI contends that incarcerated persons have limited alternatives to Stamped Letters (Factor 4) and that 5-cent increases are contrary to Factor 14 and 39 U.S.C. § 101(a). *Id.* at 7-8. PPI acknowledges that it is “not advocating for a strict ability-to-pay standard” and “that a preferred rate for incarcerated individuals cannot be established through this proceeding and may require Congressional action.” PPI Supplemental Comments at 1, 2.

Multiple commenters propose reducing the Stamped Letters price of 55 cents to more closely correspond with changes in inflation over the past 2 years (such as to 51, 52, or 53 cents).⁴⁰ Douglas F. Carlson asserts that 5-cent increases do not reflect stability and predictability (Objective 2). Douglas F. Carlson Comments at 5.

NAPM supports the proposal to maintain the Stamped Letters and Metered Letters prices. NAPM Comments at 11. Pitney Bowes supports the proposed Single-Piece Letters/Postcards rate design and asserts that the Notice provides adequate information to approve this design as consistent with the relevant statutory objectives (Objectives 1, 2, 5, and 8) and factors (Factors 4, 5, 7, and 12). Pitney Bowes Comments at 8; see *also* Pitney Bowes Supplemental Comments at 2. NPPC supports the proposal to maintain the price of Metered Letters at 50 cents. NPPC Comments at 2.

⁴⁰ See, e.g., Bahnsen Comments at 1; Clair A. Carlson Jr. Comments at 1; Douglas F. Carlson Comments at 10; Douglas F. Carlson Supplemental Comments at 3; Eutawville, SC Citizen Comments at 1; Erickson Comments at 1; Kalish Comments at 1; Kennedy Comments at 1; Kluskens Comments at 1; Ludeman Comments at 1; Lopez Comments at 1; Sandridge Comments at 1; Wilson Comments at 1; see *also* Cohen Comments at 1 (suggesting to lower Stamped Letters to 30 cents and base future increases solely on changes in inflation).

2. Presorted Letters/Postcards

NAPM focuses its initial discussion on the Postal Service's proposal to set workshare discounts for Bulk Letters—Automation AADC Letters, and Bulk Letters—Automation 5-Digit Letters below their avoided costs. NAPM Comments at 6-12. It expresses concern that the historical fluctuations observed for Bulk Letters—Automation 5-Digit Letters may run counter to Objectives 2 and 8 and Factors 6, 7, and 12. *Id.* at 10-11. It supports the amended proposal, which increases this workshare discount. NAPM Supplemental Comments at 1. It also supports the CY 2020 promotions, stating that they are consistent with Objectives 1, 4, and 5 and Factors 4, 7, and 13. NAPM Comments at 11.

NPPC opposes the prices for Presorted Letters/Postcards as proposed in the Notice and urges the Commission to reject them. NPPC Comments at 1, 29-30. It asserts that the existing Presorted Letters/Postcards prices are above the range of just and reasonable prices due to the high level of cost coverage. NPPC Comments at 7. It objects to the initial proposal to increase prices above the percentage change in CPI-U, stating that the initial proposal conflicts with the rationales provided in Docket No. R2019-1 and would conflict with Objectives 1, 5, and 8 and Factors 1, 3, 4, 5, 6, 7, 12, 13, and 14. *Id.* at 2-3, 7, 12-13. It also objects that four planned workshare discounts set below their avoided costs would conflict with Objective 1 and Factors 5 and 12: Bulk Letters—Nonautomation Presort Letters, Bulk Letters—Automated Mixed AADC Letters, Bulk Letters—Automation AADC Letters, and Bulk Letters—Automation 5-Digit Letters. *Id.* at 22.

NPPC supports the Postal Service's amended proposal, noting that the change addresses several of NPPC's concerns. NPPC Supplemental Comments at 3. It states that the amended proposal tempers the increase to 5-Digit Automation Letters to a level below the change in inflation and increases the passthrough for this worksharing category, promoting Objective 1, and Factors 5 and 7. *Id.* at 3-4. It contends that the

Postal Service reasonably explained the planned passthrough of 53.3 percent for Bulk Letters—Nonautomation Presort Letters. *Id.* at 4 (citing Response to Order No. 5302 at 19). It supports the proposed CY 2020 promotions and asserts they are consistent with Objectives 4 and 5 and Factors 7 and 13. NPPC Comments at 2.

Similarly, Pitney Bowes asserts that the prices for Presorted Letters/Postcards as proposed in the Notice are inconsistent with the rationales provided in Docket No. R2019-1 and the objectives and factors. Pitney Bowes Comments at 3. Pitney Bowes concentrates its objections on the workshare discount initially proposed for Bulk Letters—Automation 5-Digit Letters as contrary to Objective 1 and Factors 4, 5, 7, and 12. *Id.* Pitney Bowes supports the Postal Service's amended proposal, noting that the increase to this workshare discount furthers Objective 1. Pitney Bowes Supplemental Comments at 1. Pitney Bowes contends that the Postal Service complies with Order No. 5302's instructions to provide explanations as required by Commission rules. *Id.* at 1-2 (citing Response to Order No. 5302 at 13-18, 19).

PostCom observes that raising workshare discounts set below their avoided cost represents an opportunity to improve efficiency. PostCom Comments at 4. While supporting the amended pricing proposal, PostCom raises concerns that workshare discounts set below their avoided cost run counter to the aims of Objective 1 and Factors 5 and 12. PostCom Supplemental Comments at 2-3. Although PostCom disagrees with the Postal Service's interpretation of Factor 3, PostCom states that its concerns need not be addressed if the Commission declines to reconsider Order No. 5302. *Id.* at 3.

3. Flats

NAPM asserts that the planned increase to the additional ounce Flats price may send confusing signals to users and may deter capital investments related to the use of this category. NAPM Comments at 12.

D. Scope of Commission Review

The Commission addresses the scope of its review related to the two key pricing proposals discussed in the comments: the price of Stamped Letters and the adjustments to Presorted Letters/Postcards. The Commission also reviews the full scope of the pricing proposal relating to Flats.

With respect to Stamped Letters, multiple commenters focus on the 10 percent (5-cent) increase applied in Docket No. R2019-1, which raised the price from 50 cents to 55 cents.⁴¹ The Commission has already approved this increase as consistent with the objectives and factors. See *generally* Order No. 5285; see *also* Order No. 5273 at 3-4. Additionally, multiple commenters suggest that the Commission must adjudicate the merits of 5-cent rounding as a pricing policy.⁴² However, in neither Docket Nos. R2019-1 nor R2020-1 does the proposed price rest solely on the premise that prices should be divisible by five. In the instant proceeding, Docket No. R2020-1, the Postal Service proposes to maintain the price of 55 cents, which the Commission reviews for consistency with the objectives and factors. Future adjustments proposed to Stamped Letters will be reviewed when presented.

Multiple commenters raise concerns with the Postal Service's initial proposal for Presorted Letters/Postcards; however, these commenters subsequently acknowledge that the Postal Service's amended proposal largely resolves their concerns, and support

⁴¹ See, e.g., Bahnsen Comments at 1; Clair A. Carlson Jr. Comments at 1; Douglas F. Carlson Comments at 7, 9-10; Cohen Comments at 1; Erickson Comments at 1; Eutawville, SC Citizen Comments at 1; Kalish Comments at 1-2; Kennedy Comments at 1; Kluskens Comments at 1; Lopez Comments at 1; Ludeman Comments at 1; Pauly Comments at 1; Sandridge Comments at 1; Tomsen Comments at 1; Wilson Comments at 1.

⁴² See, e.g., Bahnsen Comments at 1; Clair A. Carlson Jr. Comments at 1; Douglas F. Carlson Comments at 1-4, 9-10; Cohen Comments at 1; Erickson Comments at 1; Eutawville, SC Citizen Comments at 1; GCA Comments at 4-7; Kalish Comments at 1; Kennedy Comments at 1; Lopez Comments at 1; PostCom Comments at 2; PPI Comments at 2-6, 8; Raheer Comments at 2-4; Wilson Comments at 1; Douglas F. Carlson Supplemental Comments at 1-3; PPI Supplemental Comments at 2.

the amended proposal.⁴³ For instance, NAPM's, NPPC's, and Pitney Bowes's opposition to the initial proposal focuses on the fact that the Postal Service's initial proposed increase for this product, and particularly the 5-Digit Automation Letters rate cell, would exceed the 1.900 percent change in the CPI-U index for the previous 12 months.⁴⁴ However, to comply with Order No. 5302, the Postal Service's amended proposal would adjust Presorted Letters/Postcards by 1.607 percent and 5-Digit Automation Letters by 1.567 percent, which ameliorates these concerns.⁴⁵ With regard to the issues raised regarding the cost coverage of Presorted Letters/Postcards, the comments focus on Objectives 1, 5, and 8; no explanations independent of the commenter's analysis of these objectives are provided to support the contentions that numerous factors (Factors 1, 3, 5, 6, 7, 12, 13, and 14) are also implicated. See NPPC Comments at 7, 13. Accordingly, the Commission focuses its responsive analysis on Objectives 1, 5, and 8, and therefore addresses these issues in Sections E.1., E.5., and E.8., *infra*, respectively.

Multiple commenters focus on the Postal Service's proposal to set each of the workshare discounts proposed for First-Class Mail below their corresponding avoided costs.⁴⁶ While some assert that numerous factors are also implicated, the commenters' analysis focuses on Objective 1, and no explanations independent of the concerns related to Objective 1 are provided for the contentions that the proposed workshare discounts conflict with Factors 4, 5, 7, and 12. See Pitney Bowes Comments at 3; see *also* Postcom Supplemental Comments at 2-3. Accordingly, the Commission focuses

⁴³ Compare NAPM Comments; NPPC Comments; Pitney Bowes Comments *with* NAPM Supplemental Comments; NPPC Supplemental Comments; Pitney Bowes Supplemental Comments.

⁴⁴ See NAPM Comments at 3, 8; NPPC Comments at 2-3, 13, 15-16, 18, 20; Pitney Bowes Comments at 2-3.

⁴⁵ See NAPM Supplemental Comments at 1-2; NPPC Supplemental Comments at 1, 3-4; Pitney Bowes Supplemental Comments at 1; Response to Order No. 5302 at 12.

⁴⁶ NAPM Comments at 6-10; NPPC Comments at 2, 26; Pitney Bowes Comments at 3-7; PostCom Comments at 4.

its responsive analysis on Objective 1 and observes that systemic concerns regarding workshare discounts set below their avoided costs are being addressed in a pending rulemaking (Docket No. RM2017-3).

Additionally, while multiple commenters questioned the Postal Service's initial proposal to reduce the workshare discount for Bulk Letters—Automation 5-Digit Letters by \$0.001 for the second year in a row, these commenters support the Postal Service's amended proposal to raise this workshare discount by \$0.001.⁴⁷ The amended proposal resolves a number of concerns such as NAPM's issues with the historic fluctuation in the workshare discount for 5-Digit Automation Letters, upon which NAPM relies to express doubt regarding the initial proposal's consistency with Objectives 2 and 8 and Factors 6, 7, and 12. See NAPM Comments at 10-11. This issue is rendered moot by the amended proposal, which NAPM supports, that would result in this workshare discount being set at \$0.030 for 3 of the past 4 rate adjustment proceedings and at \$0.029 in Docket No. R2019-1.

With regard to the more general assertions that proposing to apply different price adjustments in Docket No. R2020-1 would undermine the rationales provided in Docket No. R2019-1,⁴⁸ it is important to reiterate that the objectives and factors allow for a range of acceptable prices. Moreover, considering the competing priorities encapsulated in the objectives and factors would naturally result in varying adjustments from year to year. In any event, the objectives and factors do not preclude the Postal Service from rebalancing the impact of prior price adjustments under a class-based price cap on a multi-year basis. As described below, the prices proposed in Docket No. R2020-1 are consistent with the objectives and factors.

⁴⁷ Compare NAPM Comments at 3-5, 8-12; NPPC Comments at 7, 22-29; Pitney Bowes Comments at 3-4, 5, *with* NAPM Supplemental Comments at 1-2; NPPC Supplemental Comments at 1-4; Pitney Bowes Supplemental Comments at 1-2; *see also* Postcom Supplemental Comments at 2-3.

⁴⁸ See NAPM Comments at 2-3, 6; NPPC Comments at 5.

E. Commission Analysis of the Objectives

As described below, the planned price adjustments for First-Class Mail are consistent with the objectives appearing in 39 U.S.C. § 3622(b).

1. Objective 1

The Commission considers the applicability of the planned price adjustments to “maximiz[ing] incentives to reduce costs and increas[ing] efficiency,” as provided by Objective 1. 39 U.S.C. § 3622(b)(1). Below, the Commission discusses how the pricing proposal would advance two components of Objective 1: pricing efficiency and cost reductions.

First, the planned workshare discounts for First-Class Mail demonstrate progress in increasing pricing efficiency, a component of Objective 1, by improving adherence to the principle of ECP. In accordance with the principle of ECP, prices are most efficient when workshare discounts are set equal to avoided costs. See Order No. 4257 at 131.

Multiple comments focus on the Postal Service’s proposal to set each of the workshare discounts proposed for First-Class Mail below their corresponding avoided costs. These commenters support fuller recognition of avoided costs (increasing workshare discounts to pass through as near to 100 percent of avoided costs as practicable and providing more robust explanations for not doing so), which echoes their

positions and suggestions provided in Docket No. RM2017-3.⁴⁹ These commenters generally support the Commission's proposal to strengthen its regulations concerning workshare discounts that the Postal Service proposes to set below avoided costs. Docket No. RM2017-3 remains pending and the Commission has considered the suggestions proposed by NAPM, NPPC, Pitney Bowes, and PostCom regarding the Commission's proposal, along with other comments in that proceeding. Among other improvements, the Commission's revised proposal in Docket No. RM2017-3, if adopted, would address a number of these concerns by permitting the Postal Service to propose to set workshare discounts below their avoided costs only under limited circumstances (and subject to a more rigorous evidentiary burden) and would prohibit reducing workshare discounts that are already set below their avoided costs.⁵⁰

⁴⁹ Compare NAPM Comments at 10; NPPC Comments at 26; Pitney Bowes Comments at 4-7; PostCom Comments at 4; Postcom Supplemental Comments at 2-3; *with* Docket No. RM2017-3, Errata Notice of Alliance of Nonprofit Mailers, American Catalog Mailers Association, Inc., Association for Postal Commerce, Idealliance and MPA—the Association of Magazine Media, March 5, 2018, Comments of Alliance of Nonprofit Mailers, American Catalog Mailers Association, Inc., Association for Postal Commerce, Idealliance and MPA—the Association of Magazine Media, at 96-97 (Docket No. RM2017-3, PostCom *et al.* Comments); Docket No. RM2017-3, Reply Comments of Alliance of Nonprofit Mailers, American Catalog Mailers Association, Inc., Association for Postal Commerce, Data & Marketing Association, Idealliance, and MPA—the Association of Magazine Media, March 30, 2018, at 71-74; Docket No. RM2017-3, Comments of the National Postal Policy Council, the Major Mailers Association, and the National Association of Presort Mailers, March 1, 2018, at 41-44; Docket No. RM2017-3, Reply Comments of the National Postal Policy Council, the Major Mailers Association, and the National Association of Presort Mailers, March 30, 2018, at 45-47; Docket No. RM2017-3, Comments of Pitney Bowes Inc., March 1, 2018, at 2-13; Docket No. RM2017-3, Reply Comments of Pitney Bowes Inc., March 30, 2018, at 1-8.

⁵⁰ See Docket No. RM2017-3, Revised Notice of Proposed Rulemaking, December 5, 2019, at 176, 207-210 (Order No. 5337).

With regard to the twelve workshare discounts that the Postal Service proposes in this proceeding, eight are closer than their baseline discounts to their avoided costs,⁵¹ and thereby improve pricing efficiency. Because comments address two of these eight planned workshare discounts: Bulk Letters—Automation 5-Digit Letters and Bulk Letters—Automation AADC Letters, the Commission provides additional discussion below. Then, the Commission discusses the four remaining planned First-Class Mail workshare discounts: Bulk Letters—Nonautomation Presort Letters, Bulk Cards—Automation 5-Digit Cards, Bulk Letters—Automated Mixed AADC Letters, and Bulk Cards—Automation AADC Cards.

Bulk Letters—Automation 5-Digit Letters. Multiple commenters initially raised concerns regarding the initial proposal to reduce the workshare discount for Bulk Letters—Automation 5-Digit Letters to \$0.028, which would have resulted in a passthrough of 82.4 percent.⁵² To comply with Order No. 5302, the Postal Service proposes to amend this workshare discount to \$0.030, which results in a passthrough of 88.2 percent. Response to Order No. 5302 at 19. The commenters subsequently acknowledge that this is a positive adjustment and largely ameliorates their concerns.⁵³

⁵¹ These eight workshare discounts are: (1) Single-Piece Letters—Qualified Business Reply Mail; (2) Single-Piece Postcards—Qualified Business Reply Mail; (3) Bulk Letters—Automation AADC Letters; (4) Bulk Letters—Automation 5-Digit Letters; (5) Bulk Cards—Automation Mixed AADC Cards; (6) Flats—Automation ADC Flats; (7) Flats—Automation 3-Digit; and (8) Flats—Automation 5-Digit.

The baseline discounts are the workshare discounts set in the previous rate adjustment (Docket R2019-1). See Docket R2019-1, Library Reference PRC-LR-R2019-1/1, Excel file “PRC-CAPCALC-FCM-R2019-1.xlsx,” tab “FCM Worksharing.” The most recent avoided costs for the First-Class Mail worksharing categories are identified in Docket No. ACR2018, *Annual Compliance Determination*, April 12, 2019, at 15-16.

⁵² See NAPM Comments at 3-5; NPPC Comments at 7, 22-29; Pitney Bowes Comments at 3-4, 5.

⁵³ See NAPM Supplemental Comments at 1; NPPC Supplemental Comments at 3; Pitney Bowes Supplemental Comments at 1; see also PostCom Supplemental Comments at 2.

The Commission acknowledges that the amended proposal increases pricing efficiency relative to both the baseline⁵⁴ and the initial proposal. Consistent with the Commission's existing rules and past analysis of workshare discounts set below their avoided costs, the Commission encourages the Postal Service to remain attentive to increasing pricing efficiency in future price adjustments.

Bulk Letters—Automation AADC Letters. NPPC and Pitney Bowes express concern with the planned workshare discount for Bulk Letters—Automation AADC Letters. NPPC Comments at 22; Pitney Bowes Comments at 3-4, 5. The Commission acknowledges that the planned workshare discount of \$0.020 is closer to its avoided cost of \$0.024 than the baseline workshare discount of \$0.016, resulting in an improvement in the passthrough from 66.7 percent to 83.3 percent.⁵⁵ Consistent with the Commission's existing rules and past analysis of workshare discounts set below their avoided costs, the Commission encourages the Postal Service to continue this progress at increasing pricing efficiency in future price adjustments.

Bulk Letters—Nonautomation Presort Letters and Bulk Cards—Automation 5-Digit Cards. Two planned First-Class Mail workshare discounts (Bulk Letters—Nonautomation Presort Letters and Bulk Cards—Automation 5-Digit Cards) reduce the baseline discounts (already set below the corresponding avoided costs) by \$0.001. *Id.* Although NPPC initially questioned the planned passthrough of 53.3 percent for Bulk Letters—Nonautomation Presort Letters, NPPC subsequently acknowledges that the

⁵⁴ Under the amended proposal, the planned workshare discount of \$0.030 is closer to its avoided cost of \$0.034 than the baseline workshare discount of \$0.029, resulting in an improvement in the passthrough from 85.3 percent to 88.2 percent. In Docket No. R2019-1, the avoided cost for this worksharing category was \$0.032; therefore, the passthrough was 90.6 percent. Docket R2019-1, Library Reference PRC-LR-R2019-1/1, Excel file "PRC-CAPCALC-FCM-R2019-1.xlsx," tab "FCM Worksharing."

⁵⁵ In Docket No. R2019-1, the avoided cost for this worksharing category was \$0.017; therefore, the passthrough was 94.1 percent. Docket R2019-1, Library Reference PRC-LR-R2019-1/1, Excel file "PRC-CAPCALC-FCM-R2019-1.xlsx," tab "FCM Worksharing."

Postal Service provided a reasonable explanation of the operational considerations.⁵⁶ While each particular reduction is small, the slight decreases move these worksharing categories away from ECP, which underscores the Commission's reason for striving to phase out such inefficient pricing practices in Docket No. RM2017-3. Consistent with the Commission's existing rules and past analysis of workshare discounts set below their avoided costs, the Commission encourages the Postal Service to set discounts that increase (rather than decrease) pricing efficiency.

Bulk Letters—Automated Mixed AADC Letters. Similarly, the Postal Service proposes to reduce the baseline discount for Bulk Letters—Automated Mixed AADC Letters by \$0.011, while the avoided cost decreased by only \$0.001. With regard to NPPC's concerns (see NPPC Comments at 22), the Commission observes that this proposed reduction would prevent the workshare discount from violating 39 U.S.C. § 3622(e)'s prohibition on excessive workshare discounts and would produce a passthrough of 91.0 percent. Consistent with the Commission's existing rules and past analysis of workshare discounts set below their avoided costs, the Commission encourages the Postal Service to set this discount closer to its avoided cost and adhere more strictly to ECP in future price adjustments. The Commission is in the process of taking steps to phase out Postal Service pricing practices that move workshare discounts away from ECP in a pending rulemaking (Docket No. RM2017-3).

Bulk Cards—Automation AADC Cards. Finally, the planned workshare discount of \$0.006 for Bulk Cards—Automation AADC Cards remains the same as the baseline workshare discount and is slightly below its avoided cost of \$0.007, maintaining a passthrough of 85.7 percent.⁵⁷ The Commission encourages the Postal Service to

⁵⁶ Compare NPPC Comments at 22-23 with NPPC Supplemental Comments at 4 (citing Response to Order No. 5302 at 19).

⁵⁷ In Docket No. R2019-1, the avoided cost for this worksharing category was \$0.006; therefore, the passthrough was 100 percent. Docket R2019-1, Library Reference PRC-LR-R2019-1/1, Excel file "PRC-CAPCALC-FCM-R2019-1.xlsx," tab "FCM Worksharing."

increase the pricing efficiency of this workshare category in future price adjustments by realigning the workshare discount with its avoided cost.

Therefore, the planned workshare discounts for First-Class Mail demonstrate that the Postal Service is continuing to make progress in aligning workshare discounts more closely with their avoided costs, consistent with the component of Objective 1 aimed at pricing efficiency. Additionally, the planned price adjustments reflect consideration of the component of Objective 1 aimed at reducing costs. Generally, the planned price adjustments encourage the entry of pieces that are less costly for the Postal Service to process. This is illustrated by the proposal to maintain the existing 5-cent differential between Metered Letters and Stamped Letters. The Postal Service charges a lower price for the category that is less costly for the Postal Service to process (Metered Letters are priced at 50 cents) and a larger price for the category that is more costly for the Postal Service to process (Stamped Letters are priced at 55 cents). See Notice at 16. Metered Letters do not require stamp production, distribution, and cancellation. *See id.*

Notwithstanding that the adjustments to particular rate cells are at different levels from Docket No. R2019-1, the resulting prices proposed by the Postal Service in Docket No. R2020-1 would set lower prices for bulk mailings that presort to a finer degree or dropship mailpieces deeper into the Postal Service's network such as Presorted Letters/Postcards, compared to higher prices for corresponding mailpieces that are more costly for the Postal Service to process such as Single-Piece Letters/Postcards.⁵⁸ Single-Piece Letters/Postcards cost roughly 2.5 times more per piece for the Postal

⁵⁸ By way of example, in Docket No. R2020-1, the Postal Service proposes no increase to Stamped Letters and an increase of 1.567 percent to 5-Digit Automation Letters, which yields prices of 55 cents and 38.9 cents, respectively.

Service to process than Presorted Letters/Postcards.⁵⁹ Moreover, the planned CY 2020 promotions further encourage businesses to enter mailpieces that are presorted, which the Postal Service processes at a lower cost-per-piece compared to mailpieces that are not presorted, consistent with the component of Objective 1 aimed at reducing costs. See NAPM Comments at 11.

The Commission acknowledges that the proposal to raise the additional ounce price for Flats by 5 cents, 1 year after decreasing it by 6 cents, may potentially send confusing price signals to mailers (*see id.* at 12) and encourages the Postal Service to remain attentive to signals sent at the rate cell level. Because the proposed increase is intended to improve cost coverage for this product, consistent with Objectives 5 and 8 and Factor 2, the Commission accepts the Postal Service's pricing proposal as rational on balance.

2. Objective 2

The Commission considers the applicability of the planned price adjustments to "creat[ing] predictability and stability in rates," as provided by Objective 2. 39 U.S.C. § 3622(b)(2). The proposed price adjustments for First-Class Mail comply with the annual limitation on a class level, which generally fosters predictability and stability by allowing mailers to better approximate the magnitude of price adjustments.⁶⁰ Additionally, the Notice was filed 109 days before the planned effective date in January. The timing of the Notice and planned effective date also fosters predictability and stability by allowing mailers to better plan and adjust for the proposed price

⁵⁹ Docket No. ACR2018, Financial Analysis of United States Postal Service Financial Results and 10-K Statement, Fiscal Year 2018, April 19, 2019 (FY 2018 Financial Analysis), Appendix A (reporting cost per piece of 31.033 cents for Single-Piece Letters and Cards compared to 12.236 cents for Presort Letters and Cards).

⁶⁰ The Postal Service may seek to adjust rates in excess of the annual limitation due to extraordinary or exceptional circumstances. See 39 U.S.C. § 3622(d)(1)(E); *see also* 39 C.F.R. part 3010, subpart E.

adjustments, which remains consistent with the aim of Objective 2. Similarly, in its Response to Order No. 5302, the Postal Service's amended proposal to revise only one price (which would apply in all three billing determinant scenarios and maintain the planned effective date) was filed 1 week after the remand and 67 days before the planned effective date. These Postal Service actions illustrate attentiveness to Objective 2.

Although the Postal Service's proposed pricing design may result in adjustments that vary from the class average for some rate categories, none of the planned price adjustments are sudden or extreme so as to disrupt predictability and stability in rates. To compare, in a past price adjustment proceeding, the Commission found that an exceptional planned price increase appeared to be discriminatory on its face and observed that the Postal Service failed to meaningfully address Objective 2 with respect to its plan to increase the subscription fee for Platinum tier mailing agents by 963 percent (more than \$225,000 annually).⁶¹ Generally, it is not outside the realm of recent mailer experience for certain products to have price increases higher than the class average in some years and to have price increases lower than the class average in other years. See Notice at 13-14. In fact, the operation of the annual limitation at the class level necessarily means that the Postal Service must, in order to propose any set of prices that does not have each product moving lock step with changes to inflation, vary the size of increases among products within each class.

Several commenters focus on the large size of the percentage increase for Stamped Letters that occurred in Docket No. R2019-1.⁶² This issue was addressed

⁶¹ Docket No. R2009-2, Order Reviewing Postal Service Market Dominant Price Adjustments, March 16, 2009, at 72 n.59 (Order No. 191).

⁶² See, e.g., Bahnsen Comments at 1; Clair A. Carlson Jr. Comments at 1; Douglas F. Carlson Comments at 7, 9-10; Cohen Comments at 1; Erickson Comments at 1; Eutawville, SC Citizen Comments at 1; Kalish Comments at 1-2; Kennedy Comments at 1; Kluskens Comments at 1; Lopez Comments at 1; Ludeman Comments at 1; Pauly Comments at 1; Sandridge Comments at 1; Tomsen Comments at 1; Wilson Comments at 1.

previously. See Order No. 5285 at 40-41. Ultimately, the Commission is unpersuaded that filing the Notice at issue in the instant proceeding 109 days in advance of planned implementation proposing to maintain the existing Stamped Letters price would be inconsistent with Objective 2. Although multiple commenters propose reducing the Stamped Letters price of 55 cents to more closely correspond with changes in inflation over the past 2 years (such as to 51, 52, or 53 cents),⁶³ Objective 2 does not prohibit individual rates within a class from increasing more (or less) than the percentage change in inflation.

With regard to the argument that the Postal Service improperly asserts that based on the Docket No. R2019-1 Notice,⁶⁴ “Stamped Letter customers could reasonably — and, ultimately, accurately — predict the level of rates past 2019 into 2020” based on the Docket No. R2019-1 Notice,⁶⁵ this argument overstates the level of foreseeability contemplated by Objective 2. Objective 2, which is a goal for the entire system of ratemaking for Market Dominant products, does not require the Postal Service to ensure that Stamped Letter customers would be able to predict the magnitude of each adjustment to each individual rate cell in a future year with microscopic precision. The Commission’s rules encourage, but do not require, the Postal Service to provide notice of planned adjustments earlier than 45 days before planned implementation. See 39 C.F.R. § 3010.10(b). The Postal Service voluntarily filed the Docket No. R2019-1 Notice on October 10, 2018 (109 days before its planned implementation on January 27, 2019), transmitted the filing in compliance with 39

⁶³ See, e.g., Bahnsen Comments at 1; Clair A. Carlson Jr. Comments at 1; Douglas F. Carlson Comments at 10; Eutawville, SC Citizen Comments at 1; Erickson Comments at 1; Kalish Comments at 1; Kennedy Comments at 1; Kluskens Comments at 1; Ludeman Comments at 1; Lopez Comments at 1; Sandridge Comments at 1; Wilson Comments at 1; see also Cohen Comments at 1 (suggesting to lower Stamped Letters to 30 cents and base future increases solely on changes in inflation).

⁶⁴ Docket No. R2019-1, United States Postal Service Notice of Market-Dominant Price Change, October 10, 2018 (Docket No. R2019-1 Notice).

⁶⁵ Douglas F. Carlson Comments at 4-5 (quoting Notice at 12-13).

U.S.C. § 3622(d)(1)(C)(i) and 39 C.F.R. § 3010.10, and further publicized its content via other methods voluntarily. See Docket No. R2019-1 Notice at 1. The Postal Service voluntarily included non-binding statements such as “Stamped Letters may not see an increase in every price case (subject to the business conditions that obtain in coming years).” *Id.* at 7. The Postal Service’s proposal to maintain the Stamped Letters price of 55 cents in Docket No. R2020-1 is consistent with this statement and the aims of Objective 2.

With regard to the concerns expressed regarding potential future increases by 5-cent increments,⁶⁶ the Commission observes that while the Postal Service refrains from proposing to increase Stamped Letters in Docket No. R2020-1, the Postal Service’s statements regarding future pricing plans for this category remain nonbinding. Future adjustments proposed to Stamped Letters will be reviewed when presented. While the Commission encourages the Postal Service to provide information about planned price adjustments as early as practicable, the Commission recognizes that the Postal Service also must consider the impact of other relevant objectives and factors when announcing pricing plans for Stamped Letters such as Objectives 1, 4, 5, and 8 and Factors 1, 3, 5, 7, 12, and 13.

3. Objective 3

The Commission considers the applicability of the planned price adjustments to “maintain[ing] high quality service standards established under section 3691,” as provided by Objective 3. 39 U.S.C. § 3622(b)(3). Neither the Postal Service nor the commenters reference Objective 3. The planned price adjustments do not negatively affect the achievement of Objective 3.

⁶⁶ See, e.g., GCA Comments at 4-7; Pauly Comments at 1.

4. Objective 4

The Commission considers the applicability of the planned price adjustments to “allow[ing] the Postal Service pricing flexibility,” as provided by Objective 4. 39 U.S.C. § 3622(b)(4). The Commission found that the PAEA system has allowed for pricing flexibility on a number of dimensions by allowing the Postal Service to exercise broad discretion over the prices, the price structure, and the timing of price changes. Order No. 4257 at 144. The Postal Service proposes few structural changes and elects to implement the planned adjustments on January 26, 2020. Moreover, as discussed in Section E.1., *supra*, the planned workshare discounts reflect the allowance of some flexibility in that the Commission does not require strict and immediate adherence to ECP in a single price adjustment (that is, requiring each discount to be set equal to its avoided cost in each price adjustment). Further, the proposed intra-class variance illustrates the exercise of pricing flexibility, as allowed by the PAEA.

The adjustments proposed in Docket No. R2020-1 reflect the Postal Service’s multi-year outlook. The proposed above-average increases for Flats and Outbound Single-Piece FCMI in Docket No. R2020-1 illustrate the use of pricing flexibility to rebalance the impact on users of the below-average increases applied in Docket No. R2019-1. See Notice at 17. For Flats, the above-average increase is also designed to prevent the product’s cost coverage from falling below 100 percent. See *id.* at 8; see *also* Response to Order No. 5302 at 14. Because Inbound E-format Letter Post will transfer to the Competitive product list effective January 1, 2020, it will no longer be subject to the provisions of 39 U.S.C. § 3622. See Order No. 5372. The proposed increase for the remaining volume categorized under Inbound Letter Post corresponds with the terminal dues set by the Universal Postal Union. See Notice at 8-9, 17.

Single-Piece Letters/Postcards are proposed to receive no increase in Docket No. R2020-1, thereby maintaining the prices established in Docket No. R2019-1.

Following 3 consecutive years of below-average increases,⁶⁷ Presorted Letters/Postcards are proposed to receive an increase of 1.607 percent, which is near the class average of 1.548 percent and below the annual percentage change in the CPI-U of 1.900 percent.⁶⁸ The Postal Service explains that these proposed adjustments use the Postal Service's pricing flexibility as allowed under Objective 4 to balance competing priorities such as increasing net revenues and demonstrating consideration for the effect of increases on the general public and business mail users. See Notice at 17; Response to Order No. 5302 at 15. The Commission finds that these pricing proposals strike a reasonable balance.

5. Objective 5

The Commission considers the applicability of the planned price adjustments to "assur[ing] adequate revenues, including retained earnings, to maintain financial stability," as provided by Objective 5. 39 U.S.C. § 3622(b)(5). Generally, planned prices are aimed to increase cost coverage and net revenue, thereby improving the Postal Service's financial position. For instance, the proposed above-average increase to Flats is intended to improve cost coverage.

Objective 5 weighs against the suggestions by commenters to reduce the prices from the levels proposed by the Postal Service. Multiple commenters argue for

⁶⁷ Order No. 3610 at 18 (adjusting Presorted Letters/Postcards by -0.243 percent compared to an average class adjustment of 0.778 percent); Docket No. R2018-1, Order on Price Adjustments for First-Class Mail, USPS Marketing Mail, Periodicals, Package Services, and Special Services Products and Related Mail Classification Changes, November 9, 2017, at 9 (Order No. 4215) (adjusting Presorted Letters/Postcards by 1.585 percent compared to an average class adjustment of 1.927 percent); Order No. 5285 at 8 (adjusting Presorted Letters/Postcards by 0.970 percent compared to an average class adjustment of 2.464 percent).

⁶⁸ See Library Reference PRC-LR-R2020-1/6; see also Section III, Table III-1, *supra*.

reduction of the Stamped Letters price from 55 cents.⁶⁹ The Docket No. R2019-1 proposal to increase the Stamped Letters price by 10 percent to 55 cents was rational and consistent with Objective 5. See Order No. 5285 at 43. In Docket No. R2019-1, the Postal Service made efforts to somewhat mitigate the effects on consumers (such as purchasing Forever Stamps in advance of the price change, using postage meters at Metered Letter rate or using PC postage products for higher volume customers) thereby balancing other relevant objectives and factors. See *id.* at 38-41, 46-47, 52-53. In Docket No. R2020-1, the Postal Service further mitigates these effects by refraining from proposing an increase to Stamped Letters. This is a rational way to exercise the Postal Service's pricing flexibility to assure adequate revenue while also ensuring that rates do not rise too sharply for stamp users, demonstrating consideration for the sometimes competing priorities of Objectives 4, 5, and 8 and Factor 3.

NPPC contends that price increases to the more profitable and elastic mail categories (Presorted Letters/Postcards and particularly the worksharing categories) may harm the Postal Service's finances by driving away desired volume (mailpieces that are less costly to process and more likely to be driven out of the postal network by price increases). NPPC Comments at 15-16. The Postal Service's tempered approach of proposing a modest 1.607-percent increase to Presorted Letters/Postcards strikes a reasonable balance of the objectives and factors, given the tradeoffs presented under the class-based price cap. See Response to Order No. 5302 at 15-16.

⁶⁹ See, e.g., Bahnsen Comments at 1; Clair A. Carlson Jr. Comments at 1; Douglas F. Carlson Comments at 10; Eutawville, SC Citizen Comments at 1; Erickson Comments at 1; Kalish Comments at 1; Kennedy Comments at 1; Kluskens Comments at 1; Ludeman Comments at 1; Lopez Comments at 1; Sandridge Comments at 1; Wilson Comments at 1; see *also* Cohen Comments at 1 (suggesting to lower Stamped Letters to 30 cents and base future increases solely on changes in inflation).

6. Objective 6

The Commission considers the applicability of the planned price adjustments to “reduc[ing] the administrative burden and increas[ing] the transparency of the ratemaking process,” as provided by Objective 6. 39 U.S.C. § 3622(b)(6). No comments advance concerns related to Objective 6. The Commission found that the PAEA system “has reduced the administrative burden and increased the transparency of the ratemaking system.” Order No. 4257 at 274. The planned price adjustments do not disturb this finding. The efficiency of this proceeding evinces how the PAEA system has reduced the administrative burden of the ratemaking system compared to the burden incurred under the Postal Reorganization Act system. *See id.* at 73. Further, sufficient information was provided to allow users to comprehend and comment on the proposed price adjustments.

7. Objective 7

The Commission considers the applicability of the planned price adjustments to “enhanc[ing] mail security and deter[ing] terrorism,” as provided by Objective 7. 39 U.S.C. § 3622(b)(7). Neither the Postal Service nor the commenters reference Objective 7. Nothing on the record would suggest the planned price adjustments would undermine the system’s existing safeguards (such as the ability to seek a rate adjustment due to extraordinary or exceptional circumstances under 39 U.S.C. § 3622(d)(1)(E)) to address unexpected mail security or terrorist threats. The proposed price adjustments do not appear to pose any negative effect on the achievement of Objective 7. Additionally, the proposed adjustments are aimed at increasing net revenue, which is generally consistent with the achievement of Objective 7.

8. Objective 8

The Commission considers the applicability of the planned price adjustments to “establish[ing] and maintain[ing] a just and reasonable schedule for rates and

classifications,” as provided by Objective 8. 39 U.S.C. § 3622(b)(8). The Commission concluded that rates under the PAEA system fell below the range of what would be “just and reasonable” as required by Objective 8—finding that rates were not excessive to the mailers, but threatened the financial integrity of the Postal Service.⁷⁰ The Commission notes that 39 U.S.C. § 3622(b)(8) explicitly states that Objective 8 “shall not be construed to prohibit the Postal Service from making changes of unequal magnitude within, between, or among classes of mail.” 39 U.S.C. § 3622(b)(8). Objective 8 does not prohibit the Postal Service from applying increases to particular products or rate cells that are larger than the average increase applied to the class or the product, which must be offset by smaller than average increases to other products or rates cells under a price cap system applied at the class level. See *id.*

Focusing on the Postal Service’s discussion of the merits of setting prices for Stamped Letters that are divisible by five, several commenters characterize this discussion as absurd and unsupported.⁷¹ Essentially, these commenters argue that the Postal Service did not provide a reasoned basis for selecting the price applied in Docket No. R2019-1 and therefore, proposing to maintain that price in Docket No. R2020-1 is not just and reasonable. However, in neither Docket No. R2019-1 nor Docket No. R2020-1 does the proposed 55-cent price rest solely on the premise that prices should be divisible by five. The Commission addressed the rational basis for proposing to set the price at 55 cents previously. See Order No. 5285 at 47-48. In Docket No. R2020-1,

⁷⁰ See Order No. 4257 at 274-275. The Commission disaggregated the discussion of Objective 8 into two prongs. See, e.g., Order No. 4257 at 114-115. It is well established that “just and reasonable” refers to zone, rather than a fixed price, that achieves both prongs. See Order No. 4257 at 114-115, 117, 228-229; see also *Farmers Union Cent. Exch., Inc. v. F.E.R.C.*, 734 F.2d 1486, 1502 (D.C. Cir. 1984) (“an agency may issue, and courts are without authority to invalidate, rate orders that fall within a ‘zone of reasonableness,’ where rates are neither ‘less than compensatory’ nor ‘excessive’”).

⁷¹ See, e.g., Bahnsen Comments at 1; Clair A. Carlson Jr. Comments at 1; Douglas Carlson Comments at 1-4; Cohen Comments at 1; Erickson Comments at 1; GCA Comments at 4-7; Kalish Comments at 1; Kennedy Comments at 1; Lopez Comments at 1; PostCom Comments at 2; PPI Comments at 2-6, 8; Raheer Comments at 2-4; Wilson Comments at 1.

the Postal Service proposes no price increases to Stamped Letters and Metered Letters, which would further mitigate the impact of the larger adjustment applied in Docket No. R2019-1. See Notice at 17; see *also* Pitney Bowes Comments at 7. The Commission is unpersuaded that the Postal Service's proposal to maintain the price of Stamped Letters at 55 cents is irrational or unsupported. The proposal to maintain the existing 5-cent differential between Stamped Letters and Metered Letters takes into account that Metered Letters are less costly for the Postal Service to process and that the Postal Service is trying to encourage entry of such mailpieces to reduce the costs of its operations. The proposed price remains within the range of prices that adequately balances the interests of the Postal Service and mailers, both of which must be considered in the evaluation of Objective 8.

Similarly, focusing on the 10-percent increase applied in Docket No. R2019-1, some commenters suggest that the proposal to maintain the price of Stamped Letters at 55 cents would result in prices that are unfairly higher than the prices proposed for other categories of First-Class Mail.⁷² Multiple commenters take the position that the Postal Service should reduce the current price of Stamped Letters from 55 cents.⁷³ The Commission previously addressed why the Postal Service's proposal to price Stamped Letters higher than other categories of First-Class Mail that are less costly for the Postal Service to process, such as Metered Letters and Presorted Letters/Postcards, remains consistent with Objective 8. See Order No. 5285 at 45-49. The Commission is not persuaded that the Postal Service's proposal to maintain the price of 55 cents is outside the range of just and reasonable prices. Additionally, as PostCom observes, the

⁷² See, e.g., Cohen Comments at 1; Eutawville, SC Citizen Comments at 1; Kluskens Comments at 1; Lopez Comments at 1.

⁷³ See, e.g., Bahnsen Comments at 1; Clair A. Carlson Jr. Comments at 1; Douglas Carlson Comments at 1-2, 10; Cohen Comments at 1; Eutawville, SC Citizen Comments at 1; Kalish Comments at 2; Erickson Comments at 1; Kennedy Comments at 1; Raheer Comments at 4; Wilson Comments at 1.

proposed price does not suggest any improper exercise of market power.⁷⁴ Moreover, Objective 8 must be balanced with other relevant considerations such as Objectives 1, 4, and 5 and Factors 1, 3, 5, 7, 12, and 13.

Relying on 39 U.S.C. § 403(a) and *Glob. Tel*Link v. Fed. Commc'ns Comm'n*, 866 F.3d 397 (D.C. Cir. 2017), PPI asserts that a specific analysis must be provided explaining how the 5-cent increase applied in Docket No. R2019-1 is consistent with Objective 8 for incarcerated individuals specifically, rather than the general public.⁷⁵ However, the PAEA does not require a specific analysis of how each individual rate is just and reasonable to each and every customer. Objective 8 provides a goal for the entire system of ratemaking for Market Dominant products “[t]o establish and maintain a just and reasonable schedule for rates and classifications.” 39 U.S.C. § 3622(b)(8). Even reading Objective 8 in conjunction with 39 U.S.C. § 403(a), which refers to the provision of service to “as nearly as practicable the entire population of the United States,” would not impose such a rigorous standard. 39 U.S.C. § 403(a).

Moreover, *Glob. Tel*Link* is irrelevant. The statute at issue in *Glob. Tel*Link* authorized the Federal Communications Commission to adopt regulations ensuring that

⁷⁴ See Postcom Comments at 4; see also *Farmers Union Cent. Exch., Inc. v. F.E.R.C.*, 734 F.2d 1486, 1502 (D.C. Cir. 1984) (“[W]hen the inquiry is whether a given rate is just and reasonable to the consumer, the underlying concern is whether it is low enough so that exploitation by the [regulated business] is prevented.” (quoting *City of Chicago, Ill. v. Fed. Power Comm'n*, 458 F.2d 731, 750-751 (D.C. Cir. 1971))).

⁷⁵ PPI Comments at 2-3. In suggesting that consideration of the effect of the increase on the average household improperly excludes incarcerated persons, PPI provides no data concerning the statistical impact of the individuals that are incarcerated for the full year and thus not accounted for in the survey. While PPI makes reference to 2.3 million incarcerated individuals, this number includes individuals incarcerated in some form (such as jail) for less than 1 year and thus would be included in the household surveys outside of their period of incarceration. See *id.* at 1 (citing Wendy Sawyer & Peter Wagner, *Mass Incarceration: The Whole Pie 2019*, March 19, 2019, available at: <https://www.prisonpolicy.org/reports/pie2019.html>). Additionally, PPI puts forth a hypothetical concerning how much mail an incarcerated person may send to family but provides no data concerning how much mail they actually send. See PPI Comments at 4. Moreover, PPI does not address that the statistically-validated household surveys referenced by the Postal Service would include households of family members of individuals that are incarcerated. See *id.*

all payphone providers are “fairly compensated for each and every” interstate and intrastate call and expressly defined “payphone service” to include “the provision of inmate telephone service in correctional institutions, and any ancillary services.” *Glob. Tel*Link*, 866 F.3d at 401 (quoting 47 U.S.C. § 276(b)(1)(A), (d)). Accordingly, the Federal Communications Commission’s calculation of rate caps “‘using a weighted average per minute cost,’ allowing providers to ‘recover average costs at each and every tier’” rendered “calls with above-average costs in each tier unprofitable, however, and thus does not fulfill the mandate of § 276 that ‘each and every’ inter- and intrastate call be fairly compensated.” *Id.* at 414 (internal citations omitted). By contrast, the PAEA does not require that the price of Stamped Letters must be just and reasonable to each and every customer, or to incarcerated individuals, specifically. The PAEA authorizes preferential pricing under specific circumstances, none of which refer to incarcerated individuals.⁷⁶ Therefore, the Commission has no basis to conclude that the Postal Service has an obligation to provide data analysis specific to incarcerated individuals in order to find that the pricing proposal is consistent with Objective 8.

NPPC reiterates concerns that the cost coverage for Presorted Letters/Postcards indicates that rates for this product have risen to a level that is excessive to the mailers.⁷⁷ The Commission dismissed this concern after conducting a supplementary analysis in Docket No. RM2017-3 for the period of FY 2008 through FY 2016. See Order No. 4257 at 123-130. The subsequent price adjustments to Presorted

⁷⁶ See, e.g., 39 U.S.C. § 3401(a) (accorded free mailing privileges to members of the Armed Forces of the United States and certain civilians); 39 U.S.C. § 3403 (accorded free mailing privileges to blind and other handicapped persons). PPI recognizes “that a preferred rate for incarcerated individuals cannot be established through this proceeding and may require Congressional action.” PPI Supplemental Comments at 2.

⁷⁷ Compare NPPC Comments at 2-3, 7-13, 16-19; NPPC Supplemental Comments at 1-2, with Docket No. RM2017-3, Comments of the Major Mailers Association, the National Association of Presort Mailers, and the National Postal Policy Council, March 20, 2017, at 55-59; Docket No. ACR2017, Comments of the National Postal Policy Council, the National Association of Presort Mailers, and the Major Mailers Association, February 1, 2018, at 2-7.

Letters/Postcards in Docket Nos. R2017-1, R2018-1, and R2019-1 were relatively modest and do not disturb the Commission's supplementary analysis. See note 67, *supra*. NPPC has acknowledged that the Postal Service's amended proposal in Docket No. R2020-1 to increase 5-Digit Automation Letters by 1.567 percent and Presorted Letters/Postcards by 1.607 percent addresses several of NPPC's concerns.⁷⁸ Consistent with the Commission's prior instruction, issues raised with the metrics and determinations reached in Order No. 4257 are more appropriate for Docket No. RM2017-3.⁷⁹

Finally, the above-average increase proposed for Flats is designed to ensure that the product's cost coverage does not fall below 100 percent, and that it therefore remains compensatory. The Postal Service has also demonstrated consideration of not allowing Flats pricing to rise to a level that would be excessive to mailers. As the Postal Service observes, the proposed additional ounce Flats price of 20 cents will be lower than the price of 21 cents applied in Docket No. R2018-1. See Notice at 8. The Commission finds that the proposed prices for Flats remain within the range of just and reasonable prices.

⁷⁸ See NPPC Supplemental Comments at 3. Similarly, NAPM's concern that the reduction of the workshare discount for Bulk Letters—Automation 5-Digit Letters would conflict with Objective 8 has been ameliorated by the Postal Service's amended proposal to increase this workshare discount, which NAPM strongly supports. *Compare* NAPM Comments at 10-11, *with* NAPM Supplemental Comments at 1.

⁷⁹ Docket No. ACR2017, *Annual Compliance Determination*, March 29, 2018, at 79.

Similarly, PostCom echoes its position with respect to the Commission's analysis of Objective 8 in Docket No. RM2017-3. *Compare* Postcom Comments at 3-4, *with* Docket No. RM2017-3, PostCom *et al.* Comments at 62-63. Given that "PostCom does not contest that the 55-cent Single-Piece rate is unjust and unreasonable or otherwise in contravention of the statute" (PostCom Comments at 4), PostCom's restatement of its issues with the Commission's analysis of Objective 8 in Docket No. RM2017-3 is more appropriate for Docket No. RM2017-3.

9. Objective 9

The Commission considers the applicability of the planned price adjustments to “allocat[ing] the total institutional costs of the Postal Service appropriately between market-dominant and competitive products,” as provided by Objective 9. 39 U.S.C. § 3622(b)(9). Neither the Postal Service nor the commenters reference Objective 9. The Commission previously determined that the system has an adequate mechanism to ensure the appropriate allocation of total institutional costs. Order No. 4257 at 275. That mechanism exists outside the context of this proceeding. See 39 C.F.R. § 3015.7. The proposed price adjustments do not appear to pose any effect on the achievement of Objective 9.

F. Commission Analysis of the Factors

As described below, the planned price adjustments for First-Class Mail appropriately take into account the factors appearing in 39 U.S.C. § 3622(c).

1. Factor 1

The following discussion illustrates how the proposed price adjustments appropriately take into account “the value of the mail service actually provided each class or type of mail service to both the sender and the recipient, including but not limited to the collection, mode of transportation, and priority of delivery,” as provided by Factor 1. 39 U.S.C. § 3622(c)(1).

First-Class Mail is sealed against inspection and receives forwarding, or return-to-sender, at no additional charge. MCS § 1100.1(c) and (d). It receives a high priority of delivery relative to other classes of Market Dominant mail. Certain domestic presort First-Class Mail are eligible for overnight service; the remaining domestic First-Class Mail (Single-Piece and presort) are eligible for 2-day or 3-5-day service. 39 C.F.R. § 121.1(a)(2), (b)(2), and (c)-(e). First-Class Mail benefits from an extensive collection

system. Single-Piece Letters/Postcards “may be deposited into any collection box, mail receptacle, or at any place where mail is accepted if the full required postage is paid with adhesive stamps.” DMM § 136.1.0. “All First-Class Mail receives expeditious handling and transportation, but does not guarantee delivery within a specified time.” *Id.* § 236 1.1; *see also id.* § 136 2.1. First-Class Mail may travel by air when the distance between the sender and recipient warrants it. For these reasons, First-Class Mail prices should reflect the relatively higher value of the service relative to other classes of Market Dominant mail (for instance, First-Class Mail rates being set higher than USPS Marketing Mail rates reflects the higher value of service provided by First-Class Mail). Therefore, the First-Class Mail price adjustments reflect the value of mail service actually provided and appropriate consideration of Factor 1.

2. Factor 2

The following discussion illustrates how the proposed price adjustments appropriately take into account Factor 2, which states:

[T]he requirement that each class of mail or type of mail service bear the direct and indirect postal costs attributable to each class or type of mail service through reliably identified causal relationships plus that portion of all other costs of the Postal Service reasonably assignable to such class or type.

39 U.S.C. § 3622(c)(2).

PPI argues that Factor 2 weighs against the proposal to maintain the Stamped Letters price at 55 cents because the Postal Service effectively proposes to impose a *de facto* penalty for purported convenience (equal to the amount of the rounding). PPI Comments at 7. This argument misapplies Factor 2. The Single-Piece Letters/Postcards product and First-Class Mail as a class each cover their attributable costs and provide a positive contribution to institutional costs. The proposal to maintain the Stamped Letters price at 55 cents remains consistent with continuing to do so, which reflects appropriate consideration of Factor 2. The proposal to maintain the

Stamped Letters price at 55 cents does not lead any other product within First-Class Mail to fail to cover its attributable costs.⁸⁰ As previously stated, the Commission has determined that the proposal to maintain the Stamped Letters price at 55 cents has a rational basis that does not rest on the mere fact that the price remains divisible by five. See Order No. 5285 at 47-48; see also Section E.8., *supra*. Moreover, the Postal Service's proposed above-average increase to Flats, which aims to prevent this product's cost coverage from falling below 100 percent, reflects consideration of Factor 2. See Notice at 8; see also Response to Order No. 5302 at 14.

3. Factor 3

The following discussion illustrates how the proposed price adjustments appropriately take into account "the effect of rate increases upon the general public, business mail users, and enterprises in the private sector of the economy engaged in the delivery of mail matter other than letters," as provided by Factor 3. 39 U.S.C. § 3622(c)(3).

Several commenters assert that maintaining the Stamped Letters price at 55 cents would be unaffordable, particularly to lower income and/or incarcerated persons.⁸¹ However, Factor 3 requires only consideration of "the effect of rate increases upon the general public, business mail users, and enterprises in the private sector of the

⁸⁰ Inbound Letter Post does not cover its cost attributable. Because Inbound E-format Letter Post will transfer to the Competitive product list effective January 1, 2020, it will no longer be subject to the provisions of 39 U.S.C. § 3622. See Order No. 5372. The proposed increase for the remaining volume categorized under Inbound Letter Post corresponds with the terminal dues set by the Universal Postal Union. See Notice at 8-9, 17.

⁸¹ See, e.g., Douglas F. Carlson Comments at 7-8; Cohen Comments at 1; Eutawville, SC Citizen Comments at 1; Pauly Comments at 1; PPI Comments at 6-7. With regard to the comment referring to soldiers stationed overseas writing letters home, the Commission observes that members of the Armed Forces of the United States and certain civilians are accorded free mailing privileges for personal correspondence pursuant to statute. Compare Tomsen Comments at 1, with 39 U.S.C. § 3401(a)(1). PPI expressly acknowledges "that a preferred rate for incarcerated individuals cannot be established through this proceeding and may require Congressional action." PPI Supplemental Comments at 2.

economy engaged in the delivery of mail matter other than letters,” and does not specify any additional obligation to provide a disaggregated consideration of Factor 3 for particular segments of the general public. 39 U.S.C. § 3622(c)(3). The Commission is not persuaded that the Postal Service’s proposal in Docket No. R2020-1, which does not increase the Stamped Letters price of 55 cents, fails to reflect consideration of Factor 3. *Compare* Douglas F. Carlson Comments at 7, *with* Notice at 17. In exercising its pricing flexibility accorded by Objective 4, the Postal Service expressly considers the effects of its planned pricing proposal on the general public and business mail users, particularly in light of historical increases on different rate categories under the First-Class Mail price cap and the Postal Service’s need to assure adequate revenues as provided by Objective 5. See Notice at 17. Proposing not to increase the Stamped Letters price in Docket No. R2020-1 would further mitigate the effect of the larger price increase applied in Docket No. R2019-1 on the general public and business mail users. *See id.*

Similarly, proposing no increase to Metered Letters reflects consideration of Factor 3. This lack of an increase helps to incent business mail users that do not presort (such as small- and medium-sized businesses) to use a meter and continue to use Postal Service products (rather than move their correspondence to alternative channels). *See id.* at 16.

The planned increase to Presorted Letters/Postcards of 1.607 percent reflects consideration of the tradeoffs under the First-Class Mail price cap, which includes products used by both the general public and business mail users. The Postal Service also expressly considered this planned increase in the context of the relatively modest price adjustments to Presorted Letters/Postcards in Docket Nos. R2017-1, R2018-1, and R2019-1. See Response to Order No. 5302 at 16. The planned Docket No. R2020-1 increase of 1.607 percent is relatively consistent with the prior price adjustments in Docket Nos. R2017-1, R2018-1, and R2019-1 of 0.243 percent, 1.585

percent, and 0.970 percent, respectively.⁸² Additionally, the planned Docket No. R2020-1 increase of 1.607 percent is near the class average increase of 1.548 percent and remains below the annual percentage change in the CPI-U of 1.900 percent.⁸³ The Postal Service has also demonstrated consideration of providing business mail users opportunities to partially mitigate the planned increase by engaging in worksharing, participating in promotions, and preparing mailpieces using Full-Service Intelligent Mail barcodes (IMbs).

The modest increase for Presorted Letters/Postcards, sent by business mail users, reflects the Postal Service's need to retain and encourage volume for this highly profitable but price-sensitive product. See Notice at 16; see also NPPC Comments at 15. This premise is confirmed by unit contribution and elasticity measures.⁸⁴ Presorted Letters/Postcards provide a greater unit contribution than Single-Piece Letters/Postcards.⁸⁵ Presorted Letters/Postcards are more elastic than Single-Piece Letters/Postcards, which means that mailers of Presorted Letters/Postcards are more sensitive to changes in price than mailers of Single-Piece Letters/Postcards.⁸⁶ While the Postal Service's elasticity estimates are not specific to the Stamped Letter category (see Douglas F. Carlson Comments at 8), these estimates remain informative for the purposes of the Commission's review because the demand elasticities were the best

⁸² See Order No. 3610 at 18; Order No. 4215 at 9; Order No. 5285 at 8.

⁸³ See Library Reference PRC-LR-R2020-1/6; see also Section III, Table III-1, *supra*.

⁸⁴ Elasticity is a unit-free measure of the responsiveness of a given variable (for example, the quantity demanded or supplied) to a change in another variable (for example, the price). Using the examples given, elasticity, or price elasticity of demand, is defined as the ratio of the percentage change in quantity to the associated percentage change in price.

⁸⁵ FY 2018 Financial Analysis, Appendix A (reporting contribution per piece of 18.836 cents for Single-Piece Letters and Cards compared to 25.666 cents for Presort Letters and Cards).

⁸⁶ See Order No. 4257 at 129 (reporting FY 2016 elasticity of -0.193 for Presort Letters and Cards compared to -0.116 for Single-Piece Letters and Cards); see also Narrative Explanation of Econometric Demand Equations for Market Dominant Products Filed with Postal Regulatory Commission on January 28, 2019, July 1, 2019, at 23, 32 (reporting FY 2018 elasticity of -0.376 for Workshared Letters compared to -0.143 for Single-Piece Letters and Cards).

information available to the Postal Service when it developed its proposed prices, thereby reflecting appropriate consideration of Factor 3.

Because First-Class Mail generally consists of letters, enterprises in the private sector of the economy engaged in the delivery of mail matter other than letters are relatively unaffected by the proposed First-Class Mail price adjustments. Additionally, the proposed adjustments remain within the CPI-U based price cap and no concerns of a negative effect on competition were raised.

4. Factor 4

The following discussion illustrates how the proposed price adjustments appropriately take into account “the available alternative means of sending and receiving letters and other mail matter at reasonable costs,” as provided by Factor 4. 39 U.S.C. § 3622(c)(4).

First-Class Mail continues to be susceptible to diversion. The planned rates account for this fact by proposing no increase to Single-Piece Letters/Postcards. With regard to PPI’s views concerning the lack of alternatives available at reasonable costs to incarcerated individuals, who are likely to have less money than the average household, the PAEA does not require alternatives to be available at reasonable costs to specific populations to justify a particular price. In any event, the Docket No. R2020-1 proposal, which does not increase the price of Stamped Letters, does not unduly harm customers with more limited access to alternatives and demonstrates balancing of Factor 4 along with the Postal Service’s goal of using its pricing flexibility to encourage the entry of mailpieces that are less costly to process, thereby increasing revenue, as provided under Objectives 1, 4, and 5.

The planned rates also account for Factor 4 by offering promotions to mailers who send more engaging mailpieces that capture the attention of recipients. See Notice, Attachment D at 1, 3-7, 9; see *a/so* NAPM Comments at 11. These more

engaging mailpieces and the corresponding credit or discount to the mailer continue to make First-Class Mail an effective means of sending and receiving such items at reasonable costs. These planned promotions, in combination with a 1.607-percent increase to Presorted Letters/Postcards (which is near the class average increase of 1.548 percent and below the annual change in the CPI-U of 1.900 percent), reflect adequate consideration of Factor 4.

5. Factor 5

The following discussion illustrates how the proposed price adjustments appropriately take into account “the degree of preparation of mail for delivery into the postal system performed by the mailer and its effect upon reducing costs to the Postal Service,” as provided by Factor 5. 39 U.S.C. § 3622(c)(5). Generally, the prices improve adherence to ECP and thereby better recognize mailers’ worksharing efforts and their effect upon reducing costs to the Postal Service. See Section E.1., *supra*. Thus, the price adjustments reflect appropriate consideration of Factor 5.

6. Factor 6

The following discussion illustrates how the proposed price adjustments appropriately take into account the “simplicity of structure for the entire schedule and simple, identifiable relationships between the rates or fees charged the various classes of mail for postal services,” as provided by Factor 6. 39 U.S.C. § 3622(c)(6).

Notwithstanding the volume of the record debating the merits of setting prices that are divisible by five for Stamped Letters,⁸⁷ the Commission is not persuaded that

⁸⁷ See, e.g., Bahnsen Comments at 1; Clair A. Carlson Jr. Comments at 1; Douglas F. Carlson Comments at 1-4, 9-10; Cohen Comments at 1; Erickson Comments at 1; Eutawville, SC Citizen Comments at 1; GCA Comments at 4-7; Kalish Comments at 1; Kennedy Comments at 1; Lopez Comments at 1; PostCom Comments at 2; PPI Comments at 2-6, 8; Raheer Comments at 2-4; Wilson Comments at 1.

Factor 6 is particularly relevant to the planned First-Class Mail price adjustments. As observed by the United States Court of Appeals for the District of Columbia Circuit, Factor 6 “is not a provision about simple consumer prices, as suggested by the Postal Service.” *Carlson*, 938 F.3d at 346. Moreover, the Commission agrees with the commenters that the Postal Service has not demonstrated that pricing Stamped Letters at 55 cents would be appreciably simpler than a different price (such as 51, 52, or 53 cents). Regardless, the Postal Service has not proposed any changes to First-Class Mail that would adversely affect the simplicity of structure for the entire schedule (such as adding rate cells or categories). Therefore, the planned price adjustments have a relatively neutral effect on the simplicity of structure for the entire schedule. The planned price adjustments reflect some consideration of simple, identifiable relationships between the rates or fees charged, by proposing to update the additional ounce rates for Keys and Identification Devices to be consistent with other rates in the category of Single-Piece Flats, rather than to preserve the pricing relationships as set under the prior classification category of parcels. See Notice at 8. Overall, Factor 6 has little applicability to the majority of the pricing proposals at issue.

7. Factor 7

The following discussion illustrates how the proposed price adjustments appropriately take into account “the importance of pricing flexibility to encourage increased mail volume and operational efficiency,” as provided by Factor 7. 39 U.S.C. § 3622(c)(7).

Several of the proposed price adjustments demonstrate that the Postal Service has given consideration to how to exercise its pricing flexibility to encourage the entry of mailpieces that are less costly for the Postal Service to process. Proposing lower prices for mailpieces that are more finely workshared, metered, or otherwise involve some degree of preparation by the mailer, compared to corresponding mailpieces that are more costly for the Postal Service to process reflects appropriate consideration of

Factor 7. By way of example, in Docket No. R2020-1, the Postal Service proposes a price of 38.9 cents for 5-Digit Automation Letters, a price of 50 cents for Metered Letters, and a price of 55 cents for Stamped Letters, which reflects the use of pricing flexibility to encourage the entry of mailpieces that are less costly for the Postal Service to process. Moreover, the planned CY 2020 promotions further encourage businesses to enter mailpieces that are presorted, which the Postal Service processes at a lower cost-per-piece compared to mailpieces that are not presorted. See NAPM Comments at 11; NPPC Comments at 2.

8. Factor 8

The following discussion illustrates how the proposed price adjustments appropriately take into account “the relative value to the people of the kinds of mail matter entered into the postal system and the desirability and justification for special classifications and services of mail,” as provided by Factor 8. 39 U.S.C. § 3622(c)(8). Neither the Postal Service nor the commenters reference Factor 8.

Except for restricted materials, allailable matter within the weight and size restrictions may be sent via First-Class Mail. See DMM § 133.3. Certainailable matter must be sent via First-Class Mail (such as bills and statements of account, personal information, and handwritten or typewritten material) rather than a different class of Market Dominant mail. See *id.* Within First-Class Mail, the categories reflect the various values of different types of users. For example, Stamped Letters offer delivery of hand-addressed cards and letters, while Presorted Letters primarily offer delivery of more voluminous mailings such as bills and statements of account. Within Presorted Letters/Postcards, the various categories and corresponding rate cells reflect the value of entering mail at various levels of presort, automation compatibility, and participation in worksharing. The reintroduction of promotions reflects the value to businesses of engaging with customers in innovative ways and receiving discounts.

9. Factor 9

The following discussion illustrates how the proposed price adjustments appropriately take into account “the importance of providing classifications with extremely high degrees of reliability and speed of delivery and of providing those that do not require high degrees of reliability and speed of delivery,” as provided by Factor 9. 39 U.S.C. § 3622(c)(9). Neither the Postal Service nor the commenters reference Factor 9. Further, the planned price adjustments do not affect the provision of such classifications.

10. Factor 10

The following discussion illustrates how the proposed price adjustments appropriately take into account “the desirability of special classifications for both postal users and the Postal Service in accordance with the policies of this title, including agreements between the Postal Service and postal users, when available on public and reasonable terms to similarly situated mailers...,” as provided by Factor 10. 39 U.S.C. § 3622(c)(10). This factor applies primarily to Market Dominant negotiated service agreements (NSAs). The Postal Service and commenters, except PPI, do not refer to Factor 10. Because the planned price adjustments do not affect the rates set by NSAs, Factor 10 is not relevant.

PPI supports the creation of a new classification to provide reduced rates to incarcerated persons under Factor 10. PPI Comments at 9 n.10. This issue is outside the scope of the Docket No. R2020-1 proceeding. Market Dominant NSAs are negotiated between the Postal Service and the contracting party and subsequently presented to the Commission for approval under the rules and standards applicable to Type 2 Rate Adjustments, which differ from the general Type 1-B price adjustments at issue in Docket No. R2020-1. *Compare* 39 C.F.R. §§ 3010.40-3010.44, *with* 39 C.F.R. §§ 3010.10-3010.12. The Commission cannot approve a Market Dominant NSA unless

it is demonstrated that the NSA will either: (1) improve the net financial position of the Postal Service through reducing costs or increasing the overall contribution to institutional costs; or (2) enhance the performance of mail preparation, processing, transportation, or other functions. 39 U.S.C. § 3622(c)(10)(A); see 39 C.F.R. § 3010.40(a).

11. Factor 11

The following discussion illustrates how the proposed price adjustments appropriately take into account “the educational, cultural, scientific, and informational value to the recipient of mail matter,” as provided by Factor 11.⁸⁸ Neither the Postal Service nor the commenters reference Factor 11. The prices appropriately reflect the informational value of correspondence and transactional mail.

12. Factor 12

The following discussion illustrates how the proposed price adjustments appropriately take into account “the need for the Postal Service to increase its efficiency and reduce its costs, including infrastructure costs, to help maintain high quality, affordable postal services,” as provided by Factor 12. 39 U.S.C. § 3622(c)(12).

Generally, the proposed prices improve adherence to ECP and encourage the entry of mailpieces that are less costly to the Postal Service to process. See Section E.1., *supra*. For instance, a relatively modest 1.607-percent increase is proposed for Presorted Letters/Postcards, which reflects that these mailpieces are less costly to process. The CY 2020 promotional discounts further encourage businesses to enter mailpieces that are presorted and improve affordability for mailers. Additionally,

⁸⁸ 39 U.S.C. § 3622(c)(11). This provision applies primarily to Periodicals and Media Mail/Library Mail; however, it has some application to First-Class Mail because its application is not restricted to a subclass “consisting exclusively of mail matter” providing such value. Compare 39 U.S.C. § 3622(e)(2)(C), with 39 U.S.C. § 3622(c)(11).

presorting helps to maintain the quality of service. For instance, pieces using Full-Service IMb generate Informed Visibility electronic scan data that can be used to track pieces as they pass through automated scan operations. See DMM § 507.10.0.

The pricing design within the Single-Piece Letters/Postcards product also reflects the consideration of Factor 12 by setting the Metered Letters price 5 cents lower than the Stamped Letters price. Metered Letters are less costly to process than Stamped Letters. See Section E.1., *supra*. In addition, this pricing design helps to maintain affordability, particularly for small- and medium-businesses. See Notice at 16; Pitney Bowes Comments at 7.

13. Factor 13

The following discussion illustrates how the proposed price adjustments appropriately take into account “the value to the Postal Service and postal users of promoting intelligent mail and of secure, sender-identified mail,” as provided by Factor 13. 39 U.S.C. § 3622(c)(13).

First-Class Mail pieces sent using a meter “[b]ear postage affixed by meter, information-based indicia (IBI), permit imprint (except Business Reply Mail), or pre-cancelled stamp.” MCS § 1105.3; see DMM § 604.4.1.2. First-Class Mail pieces that are presorted (both automation and nonautomation) must bear an IMb. DMM §§ 4.2, 5.1, and 5.2. Proposing no increase to Metered Letters and a relatively modest 1.607-percent increase to Presorted Letters/Postcards is consistent with promoting the adoption of intelligent mail and of secure, sender-identified mail. Additionally, the Postal Service’s plan to maintain the existing discounts for mailpieces that comply with the requirements for Full-Service IMb reflects consideration of the value of intelligent mail.

See NAPM Comments at 13. Finally, the planned CY 2020 promotions further encourage businesses to enter mailpieces that use IMb.⁸⁹

14. Factor 14

The following discussion illustrates how the proposed price adjustments appropriately take into account “the policies of [title 39 of the United States Code] as well as such other factors as the Commission determines appropriate,” as provided by Factor 14. 39 U.S.C. § 3622(c)(14).

Three commenters, focusing on the 10-percent (5-cent) increase applied in Docket No. R2019-1 and the descriptions of the purported benefits flowing from setting prices for Stamped Letters that are divisible by five, assert that maintaining the 55-cent price of Stamped Letters contravenes the policies of 39 U.S.C. §§ 101(a), 101(d), and 403(c).⁹⁰ For the reasons previously addressed, the Commission disagrees. See Order No. 5285 at 61-65.

Section 101(a) of title 39 contains the universal service obligation and provides that “[t]he costs of establishing and maintaining the Postal Service shall not be apportioned to impair the overall value of such service to the people.” 39 U.S.C. § 101(a). PPI asserts that the Postal Service effectively proposes to impose a 5-cent surcharge on Stamped Letter customers compared to Metered Letter customers, “for illusory benefits of convenience.” PPI Comments at 8. However, as previously addressed, the proposal to maintain the existing 5-cent differential between Stamped Letters and Metered Letters takes into account that Metered Letters are less costly for the Postal Service to process and that the Postal Service is trying to encourage entry of such mailpieces to reduce the costs of its operations. Additionally, the proposal to

⁸⁹ See, e.g., Notice, Attachment D at 6; see also NAPM Comments at 11; NPPC Comments at 2.

⁹⁰ See PPI Comments at 8; Douglas F. Carlson Comments at 6-7; Kluskens Comments at 1.

maintain the Stamped Letters price at 55 cents does not impair the value of the universal service obligation. The Postal Service makes no changes to the level of service offered and continues to serve “as nearly as practicable the entire population of the United States.” 39 U.S.C. § 403(a).

Section 101(d) of title 39 provides that postal rates “be established to apportion the costs of all postal operations to all users of the mail on a fair and equitable basis.” 39 U.S.C. § 101(d). In advancing the position that the Stamped Letters price should be reduced to 52 or 53 cents, Douglas F. Carlson asserts that the Postal Service fails to plausibly explain how maintaining a price of 55 cents would be fair and equitable. See Douglas F. Carlson Comments at 7. The Postal Service’s proposal to refrain from increasing the Stamped Letters price in this proceeding reflects consideration of this policy, as contemplated by Factor 14. Moreover, section 101(d) does not prohibit the Postal Service from proposing to set rates that would exceed costs; indeed, Objective 5 contemplates that the Postal Service would generate retained earnings on its Market Dominant products, sufficient to maintain financial stability. Nor does section 101(d) require cost coverages to be equal; Objective 8 contemplates that rates may change by unequal magnitudes and allows for a range of rates that would neither be excessive to the mailers, nor threaten the financial integrity of the Postal Service. The assertion that the price must be reduced in order to decrease cost coverage to a level that is fair and equitable is undermined by a comparative analysis: the cost coverage of Single-Piece Letters/Postcards is lower than the prior levels reported from FY 2008 through FY 2018 and is lower than the most recent levels reported for the class and all Market Dominant

mail.⁹¹ Additionally, section 101(d) must be considered alongside other priorities that support retaining the existing price of Stamped Letters, including maximizing incentives to increase efficiency and reduce costs as provided by Objective 1 and allowing pricing flexibility as provided by Objective 4.

Section 403(c) of title 39 bars the Postal Service from making “any undue or unreasonable discrimination among users of the mails” and “any undue or unreasonable preferences to any such user.” 39 U.S.C. § 403(c). The Commission remains unpersuaded that the proposal to maintain the Stamped Letters price at 55 cents discriminates against customers that do not presort and/or do not send bulk mailings because a rational basis is provided for differentiating between such categories of mailpieces based on their costs to the Postal Service. *Compare* Kluskens Comments at 1, *with* Order No. 5285 at 64-65.

G. Conclusion

While the Notice filed in Docket R2020-1 contains references to the Postal Service’s argument that prices for Stamped Letters that are divisible by five are consistent with Factor 6, this argument has little effect on weighing the balance of the relevant statutory considerations for price setting. On balance, the proposed First-Class Mail prices are within the range of prices that would be consistent with the objectives and properly take into account the factors. Specifically, the prices proposed by the Postal Service in this proceeding demonstrate an appropriate balancing of the competing priorities to align workshare discounts with ECP, exercise the Postal

⁹¹ *Compare* FY 2018 Financial Analysis, Appendix A (reporting cost coverage of 160.7 percent for Single-Piece Letters and Cards compared to 166.6 percent for total Market Dominant Mail and 211.0 percent for total First-Class Mail), *with* Docket No. ACR2017, Financial Analysis of United States Postal Service Financial Results and 10-K Statement, Fiscal Year 2017, April 5, 2018, Appendix A (reporting cost coverage of 162.8 percent for Single-Piece Letters and Cards compared to 169.5 percent for total Market Dominant Mail and 211.1 percent for total First-Class Mail), *and* Order No. 4257 at 129 (reporting cost coverage levels for FY 2008 through FY 2016 ranging from 162 percent in FY 2011 to 187 percent in FY 2015 for Single-Piece Letters and Cards).

Service's pricing flexibility to maximize net revenue, while also reflecting consideration of the effect of increases on the general public and business mail users. See 39 U.S.C. § 3622(b)(1), (b)(4), (b)(5), and (c)(3). These proposed prices remain consistent with rates that are predictable and stable as well as just and reasonable. See 39 U.S.C. § 3622(b)(2) and (8). Therefore, as described above, the proposal reflects an appropriate balance of the statutory objectives and factors.

VII. ORDERING PARAGRAPHS

It is ordered:

1. The Commission finds that the Postal Service's planned price adjustments relating to First-Class Mail as identified in the United States Postal Service's Notice of Market-Dominant Price Change, filed on October 9, 2019, corrected on October 10, 2019, and amended on November 20, 2019, are consistent with applicable law and may take effect as planned.
2. Revisions to the Mail Classification Schedule appear below the signature of this Order and are effective January 26, 2020.

Ruth Ann Abrams
Acting Secretary

APPENDIX A**LIST OF COMMENTERS AND COMMENTS**

Commenter	Citation	Citation Short Form
Steven J. Bahnsen	Comments Received from Steven J. Bahnsen, October 28, 2019	Bahnsen Comments
Clair A. Carlson, Jr.	Comments of Clair A. Carlson, Jr., October 29, 2019	Clair A. Carlson, Jr. Comments
Douglas F. Carlson	Douglas F. Carlson Comments in Opposition to a 55-Cent Price and Five-Cent Rounding Policy for One-Ounce, Machinable, Stamped, First-Class Letters, October 24, 2019	Douglas F. Carlson Comments
Douglas F. Carlson	Douglas F. Carlson Comments on the Postal Service's Response to Order No. 5302, November 27, 2019	Douglas F. Carlson Supplemental Comments
Michael Cohen	Comments Received from Michael Cohen, October 18, 2019	Cohen Comments
Concerned Citizens of Eutawville, SC	Comments Received from Concerned Citizens, Eutawville, SC, November 6, 2019*	Eutawville, SC Citizen Comments
K. A. Erickson	Comments Received from K. A. Erickson, October 30, 2019*	Erickson Comments
Greeting Card Association (GCA)	Comments of the Greeting Card Association, October 29, 2019	GCA Comments
Evan D. Kalish	Comments of Evan D. Kalish in Opposition to the First-Class Letter Rate Schedule, October 29, 2019	Kalish Comments
Matthew Kennedy	Comments Received from Matthew Kennedy, October 30, 2019*	Kennedy Comments
Claire Kluskens	Comments Received from Claire Kluskens, October 30, 2019*	Kluskens Comments
Tom Lopez	Comments Received from Tom Lopez, October 30, 2019*	Lopez Comments
Mike Ludeman	Comments Received from Mike Ludeman, October 30, 2019*	Ludeman Comments
National Association of Presort Mailers (NAPM)	Comments of the National Association of Presort Mailers, October 29, 2019	NAPM Comments
NAPM	Comments of the National Association of Presort Mailers, November 26, 2019	NAPM Supplemental Comments
National Postal Policy Council (NPPC)	Comments of the National Postal Policy Council, October 29, 2019	NPPC Comments
NPPC	Supplemental Comments of the National Postal Policy Council, November 27, 2019	NPPC Supplemental Comments
Michael Pauly	Comments Received from Michael Pauly, October 30, 2019*	Pauly Comments

Commenter	Citation	Citation Short Form
Pitney Bowes Inc. (Pitney Bowes)	Comments of Pitney Bowes Inc., October 29, 2019	Pitney Bowes Comments
Pitney Bowes	Comments of Pitney Bowes Inc., November 25, 2019	Pitney Bowes Supplemental Comments
Association for Postal Commerce (PostCom)	Comments of the Association for Postal Commerce, October 29, 2019 (PostCom Comments)	PostCom Comments
PostCom	Comments of the Association for Postal Commerce in Response to Order No. 5318, November 27, 2019	PostCom Supplemental Comments
Prison Policy Initiative, Inc. (PPI)	Comments of the Prison Policy Initiative, Inc., October 29, 2019	PPI Comments
PPI	Comments of the Prison Policy Initiative, Inc. Re: Postal Service's Response to Remand, November 27, 2019	PPI Supplemental Comments
Public Representative	Public Representative Notice of Errata, October 29, 2019, Public Representative Comments ⁹²	PR Comments
Public Representative	Public Representative Comments in Response to Order No. 5318, November 27, 2019	PR Supplemental Comments
Stephen A. Raher	Comments of Stephen A. Raher, October 25, 2019	Raher Comments
Amy Sandridge	Comments Received from Amy Sandridge, October 30, 2019*	Sandridge Comments
Erik Tomsen	Comments Received from Erik Tomsen, October 30, 2019*	Tomsen Comments
W. C. Wilson	Comments Received from W. C. Wilson, October 30, 2019*	Wilson Comments

* Note: The Commission accepts the comments marked with an * above, which were not filed online according to the process described in 39 C.F.R. § 3001.9(a). The Commission posted these comments to the Commission's website (<http://www.prc.gov>) on October 30, 2019 and November 6, 2019. Acceptance of these comments will facilitate participation in this proceeding, will not unduly prejudice any party to this proceeding, and will not unduly delay this proceeding.

⁹² This final version, which bears the Filing ID number 110851, replaces a version filed earlier that day. See *id.* The Commission granted the unopposed request of the Public Representative to withdraw a version of her remarks bearing the Filing ID number 110839, which was filed in error. Order No. 5302, Appendix A at 2 n.1.

CHANGES TO THE MAIL CLASSIFICATION SCHEDULE

The following material represents a change to the Mail Classification Schedule. The Commission uses two main conventions when making changes to the Mail Classification Schedule. New text is underlined. Deleted text is struck through.

*First-Class Mail
Single-Piece Letters/Postcards*

Part A—Market Dominant Products

1100 First-Class Mail

1105 Single-Piece Letters/Postcards

1105.5 Prices

Single-Piece QBRM Letters

Maximum Weight (ounces)	QBRM Letters (\$)
1	<u>0.534</u>
2	<u>0.684</u>

Single-Piece QBRM Postcards

Maximum Weight (ounces)	QBRM Postcards (\$)
not applicable	<u>0.334</u>

Share Mail Letters and Postcards^{1, 2}

Maximum Weight (ounces)	Share Mail Letters (\$)	Share Mail Postcards (\$)
1	<u>0.60</u>	<u>0.45</u>

*First-Class Mail
Presorted Letters/Postcards*

1110 Presorted Letters/Postcards

1110.4 Optional Features

The following additional postal services may be available in conjunction with the product specified in this section:

- Emerging and Advanced Technology Promotion (March 1, 202019 to August 31, 202019)
- Earned Value Reply Mail Promotion (April 1, 202019 to June 30, 202019)
- Personalized Color Transpromo Promotion (July 1, 202019 to December 31, 202019)
- Informed Delivery Promotion (September 1, 202019 to November 30, 202019)

1110.5 Prices

Automation Letters

Maximum Weight (ounces)	5-Digit (\$)	AADC (\$)	Mixed AADC (\$)
1	<u>0.389</u>	<u>0.419</u>	<u>0.439</u>
2	<u>0.389</u>	<u>0.419</u>	<u>0.439</u>
3	<u>0.389</u>	<u>0.419</u>	<u>0.439</u>
3.5	<u>0.389</u>	<u>0.419</u>	<u>0.439</u>

*First-Class Mail
Presorted Letters/Postcards*

Nonautomation Presorted Machinable Letters

Maximum Weight (ounces)	Presorted (\$)
1	<u>0.460</u>
2	<u>0.460</u>
3	<u>0.460</u>
3.5	<u>0.460</u>

Nonmachinable Letters

Maximum Weight (ounces)	Presorted (\$)
1	<u>0.610</u>
2	<u>0.610</u>
3	<u>0.610</u>
3.5	<u>0.610</u>

Automation Postcards

Maximum Weight (ounces)	5-Digit (\$)	AADC (\$)	Mixed AADC (\$)
not applicable	<u>0.260</u>	<u>0.270</u>	<u>0.276</u>

Nonautomation Presorted Machinable Postcards

Maximum Weight (ounces)	Presorted (\$)
not applicable	<u>0.285</u>

*First-Class Mail
Presorted Letters/Postcards**Emerging and Advanced Technology Promotion (March 1, 2020~~19~~ to August 31, 2020~~19~~)*

Earned Value Reply Mail Promotion (April 1, 2020~~19~~ to June 30, 2020~~19~~)

Provide a \$0.02~~3~~ per piece rebate on all Business Reply Mail, Courtesy Reply Mail, and Share Mail pieces when the 2020~~19~~ volume of those pieces for a registered mailer meets or exceeds 93~~5~~ percent of the mailer's comparable volume count for the same period during 2019~~8~~, for those mailers that were registered for the 2019~~7~~ Earned Value promotion. Provide an additional \$0.02 per piece rebate (for a total per piece rebate of \$0.04) for a mailer that was registered for the 2019 Earned Value promotion and whose 2020 volume exceeds 100 percent of the mailer's comparable volume count for the same period during 2019. For customers who did not participate in the 2019 promotion, provide a The \$0.02~~3~~ per piece rebate ~~also applies to volume received by customers who did not participate in the 2017 promotion, without a threshold.~~ Qualifying mailpieces must meet program requirements and be placed in the mailstream by the recipient and scanned during the program period. To receive the rebate, registered customers must have distributed a Business Reply Mail, Courtesy Reply Mail, or Share Mail card or envelope, and must comply with all other eligibility requirements of the program.

Personalized Color Transpromo Promotion (July 1, 2020~~19~~ to December 31, 2020~~19~~)

Informed Delivery Promotion (September 1, 2020~~19~~ to November 30, 2020~~19~~)

Provide a 2 percent discount on the qualifying postage for First-Class Mail presort or automation letters, postcards, and flats, and USPS Marketing Mail automation letters and flats that are sent during the established program period, and which incorporate Informed Delivery campaigns as a component of their mailings. To receive the discount, mailers must comply with the eligibility requirements of the program.

*First-Class Mail
Flats*

1115 Flats

1115.4 Optional Features

The following additional postal services may be available in conjunction with the product specified in this section:

- Emerging and Advanced Technology Promotion (March 1, 202019 to August 31, 202019)
- Earned Value Reply Mail Promotion (April 1, 202019 to June 30, 202019)
- Informed Delivery Promotion (September 1, 202019 to November 30, 202019)

1115.5 Prices

Automation Flats

Maximum Weight (ounces)	5-Digit (\$)	3-Digit (\$)	ADC (\$)	Mixed ADC (\$)
1	<u>0.430</u>	<u>0.577</u>	<u>0.620</u>	<u>0.716</u>
2	<u>0.630</u>	<u>0.777</u>	<u>0.820</u>	<u>0.916</u>
3	<u>0.830</u>	<u>0.977</u>	<u>1.020</u>	<u>1.116</u>
4	<u>1.030</u>	<u>1.177</u>	<u>1.220</u>	<u>1.316</u>
5	<u>1.230</u>	<u>1.377</u>	<u>1.420</u>	<u>1.516</u>
6	<u>1.430</u>	<u>1.577</u>	<u>1.620</u>	<u>1.716</u>
7	<u>1.630</u>	<u>1.777</u>	<u>1.820</u>	<u>1.916</u>
8	<u>1.830</u>	<u>1.977</u>	<u>2.020</u>	<u>2.116</u>
9	<u>2.030</u>	<u>2.177</u>	<u>2.220</u>	<u>2.316</u>
10	<u>2.230</u>	<u>2.377</u>	<u>2.420</u>	<u>2.516</u>
11	<u>2.430</u>	<u>2.577</u>	<u>2.620</u>	<u>2.716</u>
12	<u>2.630</u>	<u>2.777</u>	<u>2.820</u>	<u>2.916</u>
13	<u>2.830</u>	<u>2.977</u>	<u>3.020</u>	<u>3.116</u>

*First-Class Mail
Flats**Presorted Flats*

Maximum Weight (ounces)	Presorted (\$)
1	<u>0.810</u>
2	<u>1.010</u>
3	<u>1.210</u>
4	<u>1.410</u>
5	<u>1.610</u>
6	<u>1.810</u>
7	<u>2.010</u>
8	<u>2.210</u>
9	<u>2.410</u>
10	<u>2.610</u>
11	<u>2.810</u>
12	<u>3.010</u>
13	<u>3.210</u>

*First-Class Mail
Flats*

Single-Piece Flats¹

Maximum Weight (ounces)	Single-Piece (\$)
1	1.00
2	<u>1.20</u>
3	<u>1.40</u>
4	<u>1.60</u>
5	<u>1.80</u>
6	<u>2.00</u>
7	<u>2.20</u>
8	<u>2.40</u>
9	<u>2.60</u>
10	<u>2.80</u>
11	<u>3.00</u>
12	<u>3.20</u>
13	<u>3.40</u>

*First-Class Mail
Flats*

Keys and Identification Devices

Maximum Weight (ounces)	Keys and Identification Devices (\$)
1	<u>3.65</u>
2	<u>3.85</u>
3	<u>4.05</u>
4	<u>4.25</u>
5	<u>4.45</u>
6	<u>4.65</u>
7	<u>4.85</u>
8	<u>5.05</u>
9	<u>5.25</u>
10	<u>5.45</u>
11	<u>5.65</u>
12	<u>5.85</u>
13	<u>6.05</u>
1 (pound)	Priority Mail Retail Zone 4 postage plus <u>0.85</u>
2 (pounds)	Priority Mail Retail Zone 4 postage plus <u>0.85</u>

Emerging and Advanced Technology Promotion (March 1, 202019 to August 31, 202019)

*First-Class Mail
Flats**Earned Value Reply Mail Promotion (April 1, 202019 to June 30, 202019)*

Provide a ~~\$0.023~~ per piece rebate on all Business Reply Mail, Courtesy Reply Mail, and Share Mail pieces when the 202019 volume of those pieces for a registered mailer meets or exceeds ~~93~~5 percent of the mailer's comparable volume count for the same period during 20198, for those mailers that were registered for the 20197 Earned Value promotion. Provide an additional \$0.02 per piece rebate (for a total per piece rebate of \$0.04) for a mailer that was registered for the 2019 Earned Value promotion and whose 2020 volume exceeds 100 percent of the mailer's comparable volume count for the same period during 2019. For customers who did not participate in the 2019 promotion, provide a The ~~\$0.023~~ per piece rebate ~~also applies to volume received by customers who did not participate in the 2017 promotion~~, without a threshold. Qualifying mailpieces must meet program requirements and be placed in the mailstream by the recipient and scanned during the program period. To receive the rebate, registered customers must have distributed a Business Reply Mail, Courtesy Reply Mail, or Share Mail card or envelope, and must comply with all other eligibility requirements of the program.

Informed Delivery Promotion (September 1, 202019 to November 30, 202019)

Provide a 2 percent discount on the qualifying postage for First-Class Mail presort or automation letters, postcards, and flats, and USPS Marketing Mail automation letters and flats that are sent during the established program period, and which incorporate Informed Delivery campaigns as a component of their mailings. To receive the discount, mailers must comply with the eligibility requirements of the program.

*First-Class Mail
Outbound Single-Piece First-Class Mail International*

1125 Outbound Single-Piece First-Class Mail International

1125.6 Prices

Machinable Letters¹

Maximum Weight (ounces)	Country Price Group								
	1 (\$)	2 (\$)	3 (\$)	4 (\$)	5 (\$)	6 (\$)	7 (\$)	8 (\$)	9 (\$)
1	<u>1.20</u>	<u>1.20</u>	<u>1.20</u>	<u>1.20</u>	<u>1.20</u>	<u>1.20</u>	<u>1.20</u>	<u>1.20</u>	<u>1.20</u>
2	<u>1.20</u>	<u>1.81</u>	<u>2.24</u>	<u>2.24</u>	<u>2.24</u>	<u>2.08</u>	<u>2.08</u>	<u>2.08</u>	<u>2.08</u>
3	<u>1.69</u>	<u>2.40</u>	<u>3.28</u>	<u>3.28</u>	<u>3.28</u>	<u>2.95</u>	<u>2.95</u>	<u>2.95</u>	<u>2.95</u>
3.5	<u>2.18</u>	<u>3.00</u>	<u>4.32</u>	<u>4.32</u>	<u>4.32</u>	<u>3.82</u>	<u>3.82</u>	<u>3.82</u>	<u>3.82</u>

Nonmachinable Letters

Maximum Weight (ounces)	Country Price Group								
	1 (\$)	2 (\$)	3 (\$)	4 (\$)	5 (\$)	6 (\$)	7 (\$)	8 (\$)	9 (\$)
1	<u>1.41</u>	<u>1.41</u>	<u>1.41</u>	<u>1.41</u>	<u>1.41</u>	<u>1.41</u>	<u>1.41</u>	<u>1.41</u>	<u>1.41</u>
2	<u>1.41</u>	<u>2.02</u>	<u>2.45</u>	<u>2.45</u>	<u>2.45</u>	<u>2.29</u>	<u>2.29</u>	<u>2.29</u>	<u>2.29</u>
3	<u>1.90</u>	<u>2.61</u>	<u>3.49</u>	<u>3.49</u>	<u>3.49</u>	<u>3.16</u>	<u>3.16</u>	<u>3.16</u>	<u>3.16</u>
3.5	<u>2.39</u>	<u>3.21</u>	<u>4.53</u>	<u>4.53</u>	<u>4.53</u>	<u>4.03</u>	<u>4.03</u>	<u>4.03</u>	<u>4.03</u>

Postcards

Maximum Weight (ounces)	Canada (\$)	Mexico (\$)	All Other Countries (\$)
not applicable	<u>1.20</u>	<u>1.20</u>	<u>1.20</u>

*First-Class Mail
Outbound Single-Piece First-Class Mail International*

Large Envelopes (Flats)

Maximum Weight (ounces)	Country Price Group								
	1 (\$)	2 (\$)	3 (\$)	4 (\$)	5 (\$)	6 (\$)	7 (\$)	8 (\$)	9 (\$)
1	<u>2.40</u>	<u>2.40</u>	<u>2.40</u>	<u>2.40</u>	<u>2.40</u>	<u>2.40</u>	<u>2.40</u>	<u>2.40</u>	<u>2.40</u>
2	<u>2.63</u>	<u>3.12</u>	<u>3.39</u>	<u>3.39</u>	<u>3.39</u>	<u>3.34</u>	<u>3.34</u>	<u>3.34</u>	<u>3.34</u>
3	<u>2.85</u>	<u>3.82</u>	<u>4.37</u>	<u>4.37</u>	<u>4.37</u>	<u>4.26</u>	<u>4.26</u>	<u>4.26</u>	<u>4.26</u>
4	<u>3.06</u>	<u>4.54</u>	<u>5.36</u>	<u>5.36</u>	<u>5.36</u>	<u>5.19</u>	<u>5.19</u>	<u>5.19</u>	<u>5.19</u>
5	<u>3.28</u>	<u>5.25</u>	<u>6.34</u>	<u>6.34</u>	<u>6.34</u>	<u>6.12</u>	<u>6.12</u>	<u>6.12</u>	<u>6.12</u>
6	<u>3.50</u>	<u>5.95</u>	<u>7.32</u>	<u>7.32</u>	<u>7.32</u>	<u>7.05</u>	<u>7.05</u>	<u>7.05</u>	<u>7.05</u>
7	<u>3.72</u>	<u>6.67</u>	<u>8.31</u>	<u>8.31</u>	<u>8.31</u>	<u>7.98</u>	<u>7.98</u>	<u>7.98</u>	<u>7.98</u>
8	<u>3.94</u>	<u>7.38</u>	<u>9.29</u>	<u>9.29</u>	<u>9.29</u>	<u>8.90</u>	<u>8.90</u>	<u>8.90</u>	<u>8.90</u>
12	<u>5.03</u>	<u>8.90</u>	<u>11.26</u>	<u>11.26</u>	<u>11.26</u>	<u>10.83</u>	<u>10.83</u>	<u>10.83</u>	<u>10.83</u>
15.994	<u>6.12</u>	<u>10.44</u>	<u>13.23</u>	<u>13.23</u>	<u>13.23</u>	<u>12.74</u>	<u>12.74</u>	<u>12.74</u>	<u>12.74</u>
