

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

APPLICATION FOR WAIVER

Docket No. RM2021-5

**UNITED STATES POSTAL SERVICE APPLICATION
FOR WAIVER UNDER 39 CFR 3030.286**

Pursuant to 39 C.F.R. § 3030.286, the United States Postal Service requests that the Postal Regulatory Commission waive the applicability of 39 C.F.R. § 3030.284 to the First-Class Mail Letters 5-Digit Automation workshare discount in the upcoming market-dominant price change, which the Postal Service expects to file on or about May 28, 2021. The attached statement shows that, viewed against the requirements of Rule 286, the preponderance of the evidence weighs in favor of granting the waiver.

Respectfully submitted,

UNITED STATES POSTAL SERVICE
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Statement in Support of Waiver Application
Sharon Owens, Vice President, Pricing, U.S. Postal Service

In the interest of promoting pricing efficiency, the Postal Regulatory Commission recently required setting workshare discounts at rates as equal as possible to avoided costs. Docket No. RM2017-3, Order Adopting Final Rules for the System of Regulating Rates and Classes for Market Dominant Products, November 30, 2020, at 198 (Order No. 5763). In particular, as adopted in Commission Order No. 5763, 39 C.F.R § 3030.284(e) requires the Postal Service to set the passthrough for each proposed workshare discount that is currently below avoided costs to at least 85 percent.

The Postal Service is required under § 3030.286 to apply for a waiver before setting a workshare discount that does not comply with the requirements of 39 C.F.R. §§ 3030.283 and 3030.284. The Postal Service requests a waiver of Rule 284 with respect to First-Class Mail that is sorted to the 5-Digit level for any price change filed during FY 2021. Granting a waiver for this year would permit the Postal Service to implement the higher workshare discount requirement for 5-Digit presort First-Class Mail a year later, while focusing this upcoming year on monitoring the effect on overall mail volumes of the first above-inflation price increase since the exigent increase.

This application is based upon the Postal Service's belief that increasing the workshare discount for 5-Digit presort First-Class Mail by 0.5 cents in a single year could decrease the efficiency of its processing operations, as described in subsection (c)(5) of Rule 286. The current discount for sorting to the 5-Digit level is 3 cents, which represents a 73% passthrough of the current estimated cost avoidance. To regain compliance under Rule 284 during FY 2021 absent a waiver, the Postal Service would

be required to increase this discount to 3.5 cents. Such an increase (which would be nearly 17% higher than the same discount in FY 2020) represents a dramatic change following years of relative pricing stability. From 2017 through 2020, the discount offered by the Postal Service for 5-Digit presort First-Class Mail (as compared to prices for Auto AADC) remained between 2.9 and 3 cents. The minimum workshare discount in the next price case, as required by Rule 284, would represent a significant increase compared to prior years and it could lead to unpredictable changes among the relative proportions of mail volumes sorted to 5-Digit, Auto AADC, and Mixed AADC.

The Postal Service seeks the ability to maintain the 5-Digit discount at 3.0 cents in the upcoming price change and would then comply with Rule 284 in the following price case for First-Class Mail.

Signed,

Sharon Owens

Vice President, Pricing & Costing

UNITED STATES POSTAL SERVICE