

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

First-Class Mail and Periodicals ) Docket No. N2021-1  
Service Standard Changes, 2021

**STATEMENT OF POSITION OF  
THE ASSOCIATION FOR POSTAL COMMERCE**

**(June 21, 2021)**

Pursuant to Order No. 5880, the Association for Postal Commerce (“PostCom”) submits this statement of position on the Postal Service’s request for an advisory opinion regarding proposed First-Class Mail and Periodicals Service Standard Changes. For the reasons explained below, the Commission should rebuke the Postal Service’s request in the strongest possible terms. While the Commission may not prevent the Postal Service from implementing its proposed changes, the Postal Service’s request in this proceeding demands a forceful repudiation. The proposed service standards are legally deficient, bad policy, and bad business.

There is a further overarching problem with the standards proposed by the Postal Service. If adhered to, they will degrade service for a significant group of users of the mail—a much larger group than the Postal Service seems willing to acknowledge in its filing. The Postal Service has undoubtedly had difficulty meeting its service performance targets in the past decade, and its service performance since the pandemic has been particularly poor. These proposed service standards will do nothing to rectify that situation. At best, they will align service standards with the existing de facto service standards. But more likely, the Postal Service will provide worse service to certain mailers while declaring success for reliably providing this degraded service. As the regulator, the Commission must uphold its obligation to

protect mailers from this exercise of market power. Furthermore, it should impose consequences on the Postal Service for failing to meet existing service standards.

**I. THE PROPOSED CHANGES DO NOT COMPLY WITH 39 U.S.C. § 3691**

Section 3691 directs the Postal Service to create service standards designed to meet four objectives, and it must account for eight factors when revising these standards. The Postal Service’s proposal will make it less likely that the service standards achieve these objectives. Additionally, the Postal Service has failed to consider key aspects of the relevant factors. Principally, the proposed changes will degrade, rather than enhance the value of postal services, and the Postal Service has failed to properly assess the likely impact of the changes on future volumes and revenues.

**A. The Proposed Changes will not enhance the value of postal services to both senders and recipients**

It should be obvious that slowing the transportation and delivery of mail will not enhance its value.<sup>1</sup> And there is no doubt that the Postal Service’s proposed changes will slow the mail. Witness Hagenstein acknowledged that the “proposed service standards will result in slower average speed for First-Class Mail . . . . Transportation will be planned around the new service standards and it will take longer to transport volumes shifting from Air to Surface.”<sup>2</sup>

The Postal Service has nevertheless attempted to cast this reduction in speed as a net benefit for mail users, claiming that it will result in “greater on-time performance”<sup>3</sup> and emphasizing that mailers prefer reliability to speed. But the record evidence does not support this general contention, much less the specific proposition that mail users will prefer service that

---

<sup>1</sup> As evidenced by the vast majority of the hundreds of statements of position filed by individual mail users so far, speed of delivery is a critical element of the value of mail for individual users—especially those without reliable access to computers or mobile phones. *See, e.g.*, Statement of Position of Bertha Concha (June 15, 2021).

<sup>2</sup> Response to PR/USPS-T4-2.

<sup>3</sup> Response to PR/USPS-T4-2.

meets the proposed service standards 95% of the time to the service they currently receive.

Rather, the record evidence indicates that service—and thus the value of mail—will significantly decline for a significant portion of mail users.

1. Record evidence demonstrates mail service will be slower

While the Postal Service admits that mail service will be slower under the new service standards, it is worth looking closer at this issue to understand exactly what that means. For instance, the average days to delivery for First-Class Mail Workshare did not exceed 2.4 days between FY 2009 Q3 and FY 2020 Q3.<sup>4</sup> This average delivery time easily fell within the 1-3 day service standard that applies to this mail.<sup>5</sup> Thus, while the USPS regularly failed to meet its performance targets for First-Class Mail during this period,<sup>6</sup> mailers could still expect, on average, that mail would be delivered within 3 days. While the Postal Service has not estimated what the average days to delivery will be for mail under the new standards,<sup>7</sup> we do know that 19% of First-Class Mail currently subject to a 2-day standard will shift to a 3-day standard, 36% of First-Class Mail subject to a 3-day standard will shift to a 4-day standard, and 17% of current 3-day mail will shift to a 5-day standard.<sup>8</sup> We further know that the Postal Service expects the average days to delivery for mail subject to a 4 or 5 day standard to exceed 2.4 days.<sup>9</sup> Therefore, the Postal Service's acknowledgement that average days to delivery will increase under the new standards is well supported by the record.

---

<sup>4</sup> USPS-T-5 at 8; Library Reference LR-N2021-1-5 (tab "Data" in worksheet "Thress"); Response of Witness Thress to PostCom/USPS-T5-4.

<sup>5</sup> Response of Witness Thress to PostCom/USPS-T5-4(a).

<sup>6</sup> See, e.g., Comments of the Association for Postal Commerce and Delivery Technology Advocacy Council on FY 2020 Report and FY 2021 Plan at 2 (March 1, 2021); see also USPS-T-1 at 7-8.

<sup>7</sup> See, e.g., Responses of Witness Monteith to PostCom/USPS-T5-2(a) and PostCom/USPS-T5-4(c)(ii).

<sup>8</sup> Response of Witness Cintron to PostCom/USPS-T1-2.

<sup>9</sup> Response of Witness Monteith to PostCom/USPS-T5-4(c)(ii)(3).

This increase will cause real declines in the service mail users have historically received from the affected products. From FY 2011 through FY 2020, First-Class Mail Presort 2-day saw a low of 92.8% on-time delivery in FY 2020 and a high of 97% on time in FY 2013; even in pandemic-troubled FY 2020, it met its 2-day service standard more than 90% of the time.<sup>10</sup> While performance should have been better, and this product only met its targets in FY 2012 and FY 2013, typically well over 90% of FCM presort mail with a 2-day service standard was delivered within 2 days during this period. Similarly, Single-Piece 2-day mail saw a performance low of 88.2% in FY 2020 Q4 but was otherwise above 90% on time since FY 2012, achieving a high of 95.3% on-time in FY 2013.<sup>11</sup>

The Postal Service states that approximately 81 percent of FCM presently subject to a 2-day standard will maintain this standard, and 19% will shift to a 3-day standard.<sup>12</sup> While the Postal Service has not analyzed how the average delivery days for this mail that shifts to a 3-day standard will increase,<sup>13</sup> it is safe to assume the Postal Service does not intend to continue delivering it within 2 days. Since less than 19% of current 2-day volume is currently being delivered in more than 2 days, this shift to a 3-day standard will necessarily increase delivery times for a significant portion of 2-day mail that is currently reliably delivered within 2 days.

This proposed degradation of service is even more apparent with respect to remittance mail. From the quarter beginning January 1, 2019 through the quarter beginning January 1, 2021, 2-day remittance mail never had an average days to delivery above 1.85 days.<sup>14</sup> Over 95% of this mail was delivered in 2 days or less for each quarter through the one beginning April 1,

---

<sup>10</sup> See USPS-T-1 at 7-8.

<sup>11</sup> USPS-T-1 at 7.

<sup>12</sup> USPS-T-3 at 23; Response of Witness Cintron to PostCom/USPS-T1-2.

<sup>13</sup> See Response of Witness Monteith to PostCom/USPS-T5-2(a).

<sup>14</sup> Response of Witness Cintron to PostCom/USPS-T1-4(a).

2020, with performance dropping off slightly to 94% for the quarter beginning July 1, 2020.<sup>15</sup> Over forty percent of this mail was generally delivered in 0-1 days, exceeding the existing standard.<sup>16</sup> Only with the onset of peak-season problems in October 2020 did 2-day performance fall below 90% and 0-1 day delivery fall below 40%.<sup>17</sup> Similarly, three-to-five day remittance mail only exceeded 3 days average to delivery in the first two quarters of FY 2021, when the Postal Service was experiencing some of its worst service performance problems of the century.<sup>18</sup>

Despite this level of performance, the Postal Service is proposing to shift 21% of 2-day remittance mail to a 3-day standard, 32% of 3-day to a 4-day standard, and 13% of 3-day to a 5-day standard.<sup>19</sup> By comparison, just over 13% of current 3-day remittance mail was delivered in 5 days or more during the worst of the service problems experienced this past fall and winter.<sup>20</sup> From the quarter beginning January 1, 2019 until the onset of the pandemic around April 2020, this figure was closer to 2%.<sup>21</sup> The Postal Service is therefore proposing to permanently adopt the abysmal and ahistorical performance this product received in the fall of 2020 into the beginning of 2021. This change will plainly reduce, not enhance, the value of this remittance mail to both senders and recipients. This degradation is particularly stark since the Postal Service currently delivers a significant portion of remittance mail more quickly than the current service standards. As the Postal Service admits, this currently prioritized remittance mail will be impacted to an even greater extent than discussed above.<sup>22</sup>

---

<sup>15</sup> Response of Witness Cintron to PostCom/USPS-T1-4(a).

<sup>16</sup> Response of Witness Cintron to PostCom/USPS-T1-4(a).

<sup>17</sup> *Id.*

<sup>18</sup> Response of Witness Cintron to PostCom/USPS-T1-4(a).

<sup>19</sup> *See* Library Reference USPS-LR-N2021-1/3, Excel worksheet 3\_SSD-5D\_Vol\_Impacts\_CONUS at Tab “Remittance Impact”; *see also* Response of Witness Cintron to PostCom/USPS-T1-4(b).

<sup>20</sup> Response of Witness Cintron to PostCom/USPS-T1-4(a).

<sup>21</sup> *Id.*

<sup>22</sup> Response of Witness Cintron to PostCom/USPS-T1-4(b)(i).

In sum, the Postal Service has proposed extend its service standards so that mail that is currently delivered within shorter service standards over 90% of the time will be delivered within a longer service standard 95% of the time. Even if the changes do result in a marginal improvement in on-time delivery for some mail—a result that is by no means guaranteed—the record demonstrates that mail that is already reliably delivered within existing service standards will now take longer to deliver. When mail does not experience an appreciable increase in reliability, but does experience a degradation in speed, its value to senders and recipients is reduced. The Postal Service’s proposed changes will not enhance the value of mail to senders and recipients, as required by 39 U.S.C. § 3691(b)(1)(A).

2. The value to senders and recipients in certain geographic areas will be particularly degraded

Throughout its testimony, and in its many public statements regarding the proposed changes to service standards, the Postal Service has attempted to downplay the impact of its changes and focus solely on aggregate impacts. As the rebuttal testimony of Steve Hutkins illustrates, the impact on different regions of the country are not uniform. In fact, major population centers such as Los Angeles and Washington, DC will experience significant degradations in expected service performance, with destinations in large areas of the country subject to 4- and 5-day standard.<sup>23</sup> By contrast, while service standards for mail originating in the Chicago area will still decline, destinations in much of the country will still be subject to a 3-day standard, and only the West Coast will fall within the 5-day standard.<sup>24</sup> By failing to adequately account for local and regional impacts, the Postal Service understates the impact of

---

<sup>23</sup> See SH-RT-1 at 11 (Fig. 5) (indicating mail originating in Los Angeles will have a 4-day service standard to much of the West and a 5-day service standard to anywhere east of the Mississippi River); *id.* at 9 (Fig. 3) (demonstrating that mail originating in Washington, D.C. will see at least a 4-day service standard to most areas west of the Mississippi River and a 5-day standard to all of the West Coast and much of the Mountain West).

<sup>24</sup> SH-RT-1 at 8 (Fig. 2).

its proposals. Furthermore, because the volume impact analysis presented by witness Thress implicitly assumes uniform impact on senders of First-Class Mail, this failure is also likely to underestimate volume losses arising from devalued service performance.

This disparate geographical impact also calls into question whether the proposed service standards will allow the Postal Service “[t]o preserve regular and effective access to postal service in all communities,” 39 U.S.C. § 3691(b)(1)(B), and “assure Postal Service customers delivery reliability, speed, and frequency consistent with reasonable rates and best business practices,” 39 U.S.C. § 3691(b)(1)(C).

3. The Postal Service’s claim that mailers prefer reliability to speed is unfounded

As the discussion above indicates, the Postal Service has not demonstrated that its proposed changes will meaningfully improve service performance over existing performance for most customers. The Postal Service has set a 95% performance target under the new standards, which is both lower than many existing performance targets and, for example, lower than the actual performance of 2-day Presort First Class Mail in Fiscal Years 2012, 2013, 2014, 2016, and 2017.<sup>25</sup> Furthermore, the Postal Service has not actually estimated what service performance it will achieve under the new standards; the 95% target is just a goal.<sup>26</sup> The record does not demonstrate that service will actually be more reliable if the Postal Service implements its proposal, especially in those geographic areas that will see more severe reductions in standards. This analysis also suggest that the Postal Service did not appropriately account for the actual level of service customers receive under the existing standards when revising the standards.<sup>27</sup>

---

<sup>25</sup> See USPS-T-1 at 7-8 (chart of service performance); *id.* at 8 (noting 2020 targets of 96.50% for 2-day mail and 95.25% for 3-5 day mail).

<sup>26</sup> Response of Witness Cintron to PostCom/USPS-T1-2.

<sup>27</sup> See 39 U.S.C. § 3691(c)(1).

Even if service does become more reliable, however, the Postal Service has not established that this increased reliability will enhance the value of postal services to senders and recipients. The Postal Service did not do any direct research on how its customers might respond to the proposed changes or whether users would prefer the proposed level of service to existing service levels (even given the Postal Service's poor performance against current metrics).<sup>28</sup> It did not consult with the mailing industry in developing its proposal to design a proposal that specifically meets business needs.<sup>29</sup> Instead, the Postal Service cherry picked selective survey responses from general research documents to erroneously claim that customers as a whole prefer "reliability" to speed.<sup>30</sup> Those survey questions, however, did not frame those different service dimensions as requiring a tradeoff. All one can confidently say is that mail users value both reliability *and* speed.<sup>31</sup>

Worse yet, the Postal Service cites survey findings from the Office of Inspector General that customers expect mail to take up to seven days as evidence that customers will not mind the proposed changes.<sup>32</sup> Of course, this generalized expectation could be a result of customers becoming so accustomed to unreliable service that they build seven days into their delivery

---

<sup>28</sup> See, e.g., Response of Witness Monteith to POIR No. 1, Question 32(c) (stating USPS did not conduct "any analyses or surveys specific to the proposal at issue" with respect to the impact of the proposal on customer satisfaction).

<sup>29</sup> See, e.g., Response of Witness Cintron to MH/USPS-T1-1 (citing only MTAC discussions as specific occasions of conferring with industry and acknowledging that the Postal Service did not create specific presentations about the proposed changes prior to filing with the Commission); Response of Witness Monteith to POIR No. 1, Question 31 (discussing meetings with industry regarding the Postal Service's Strategic Plan and discussions at a "high level" rather than specific discussions of the proposed service standard changes, which are not detailed in the Strategic Plan, and how they could be tailored to meet industry needs); Response of Witness Monteith to NPPC/USPS-T4-2.

<sup>30</sup> USPS-T-4 at 13

<sup>31</sup> See USPS-T-4, Attachment 1 (Slide 33) (displaying result that 55% of respondents agree with the importance of the statement "Consistently delivers the mail when expected" and 51% agree with the importance of the statement "Provides fast mail delivery," but providing no information about whether respondents chose both options). These percentages form the basis for Witness Monteith's statement that "reliability, 'keeps my mail safe,' and 'deliver[ing] the mail when expected' are more important to customers than 'fast' delivery time." USPS-T-4 at 13. See also Tr. 100:4-24 (Monteith acknowledging survey findings cannot disprove the contention that if given a choice, a majority of customers would prefer faster delivery to slower but more reliable delivery).

<sup>32</sup> USPS-T-4 at 13-14.



expectation whether they would prefer mail be delivered more quickly or not, and it is not clear from the cited source whether these customers were even aware of existing service standards. The Commission should not allow the Postal Service to use customer confusion to support its efforts to degrade service.

At hearing, Postal Service Witness Monteith attempted to provide additional support for the contention that reliability matters more to mail value than speed by referring to a prior effort to improve reliability in Marketing Mail that resulted in some advertising mailers shifting from First-Class Mail to Marketing Mail to take advantage of the reliable service.<sup>33</sup> But as Mr. Monteith later acknowledged, those advertisers that did not shift to Marketing Mail may have valued speed of delivery more than reliability, and a variety of other factors could also drive the decision to use one service over another.<sup>34</sup> Certainly, the lower price of Marketing Mail could have justified the loss of speed for some mailers, while in the present docket, the Postal Service is not proposing to decrease prices for mail that will experience slower service. There is no support in the record for the blanket principle that users of First-Class Mail value reliability of service over speed.<sup>35</sup>

#### 4. USPS Ignores Additional Costs Its Proposal Will Impose

When determining the “value of postal services,” one must consider both the uses of those postal services and the costs senders and recipients incur to take advantage of those services. The value of postal services consists in the benefits they provide senders and recipients, offset by the costs of obtaining those services. Services that provide little benefit at great cost have little value.

---

<sup>33</sup> See Tr. 89:2-15.

<sup>34</sup> Tr. 111:4-112:11.

<sup>35</sup> Accordingly, the Postal Service did not properly take into account “the degree of customer satisfaction with Postal Service performance in the acceptance, processing and delivery of mail.” 39 U.S.C. § 3691(c)(2).

In developing and defending its proposal, the Postal Service has simply ignored the costs its changes will impose on mailers. For instance, in response to a question at hearing about whether the changes will have a larger impact on the satisfaction of customers in certain areas that will see a more pronounced decline in service standards, Witness Monteith cited the example of a biller that produces bills in San Francisco and other locations.<sup>36</sup> He explained that even if the San Francisco operations would see a greater impact, the biller could adjust its operations, using the other locations “to minimize the impact on those volumes.”<sup>37</sup> But as Mr. Monteith later acknowledged, such adjustments would not be costless to the mailer, and the Postal Service made no attempt to assess the costs mailers might incur in making these adjustments.<sup>38</sup>

Presumably, a mailer producing mail in various locations has business reasons for using those multiple locations rather than a single location. If the mailer must change its production locations to avoid service degradation, it might lose the benefits it currently enjoys from using particular locations. This mailer will not find that the new service standards have enhanced the value of mail; it will find that the service standards have disrupted its business model.

Moreover, many commercial users of First-Class Mail are subject to regulations governing how – and by what means – they communicate with their customers. Those users have developed complex systems to ensure compliance based on current service standards. With very limited notice, those users must now undertake expensive modifications to internal systems and processes to remain compliant with existing regulations.

---

<sup>36</sup> Tr. 109:14-16.

<sup>37</sup> Tr. 109:17.

<sup>38</sup> Tr. 112:12-113:3.

In the case of commercial users of First-Class Mail who send bills to consumers, there will be other costs. Consumers who receive and pay bills by mail may in many cases experience an additional two days delivery time for both the bill and the payment. It is inevitable that some consumers' payments will be late, especially in the immediate wake of the planned changes. Consumers will suffer from the imposition of late fees. Their satisfaction with their bank or telecommunications supplier will suffer. Commercial First-Class Mail users will be forced to absorb the costs of customer dissatisfaction directly resulting from the Postal Service's proposal in the form of higher call center costs and loss of customer goodwill.

Additionally, the new service standards will result in delivery times varying greatly to different areas of the country, which causes its own problems. Currently, mail originating in Chicago enjoys a 3-day service standard to all of the contiguous United States and Puerto Rico.<sup>39</sup> Under the proposed standards, the 3-day service area shrinks, and mail to Florida, New England, and the Mountain West shifts to a 4-day standard.<sup>40</sup> The West Coast will move to a 5-day standard.<sup>41</sup> Accordingly, whereas a mailer planning a campaign could previously target in-home dates to all of the United States based on the same delivery times, it now must account for the differing service standards, potentially creating one run for Los Angeles, one for Miami, and another for New York. Contrast this situation to an electronic campaign, where all recipients can be reached simultaneously. This variation in delivery times by itself could degrade the value of mail in addition to requiring potentially costly adjustments to advertising campaigns and billing cycles.

---

<sup>39</sup> See SH-RT-1 at 7 (Fig. 1).

<sup>40</sup> *Id.* at 8 (Fig. 2).

<sup>41</sup> *Id.*

The Postal Service has not attempted to quantify any of these costs or evaluate how they will impact the value of the services it provides.<sup>42</sup> Since the proposed service standard changes will impact all First-Class mailers, it would be unsurprising if the aggregate costs mailers incur adapting to these changes exceed the \$276.9 million the Postal Service estimates it will save by implementing the changes.<sup>43</sup> And as discussed below, the negative contribution impacts of the proposed changes are likely higher than the Postal Service estimates, even without accounting for how the reduction in service standards will interact with the historically high rate increases the Postal Service plans to implement in August. The Commission cannot find that these changes will enhance the value of postal services to senders and recipients in light of the Postal Service's deficient analysis.

**B. The Postal Service did not properly analyze the volume and revenue impacts of its proposal**

When revising service standards, the Postal Service must account for “mail volume and revenues projected for future years.”<sup>44</sup> The Postal Service has at least attempted to do so in this case with the analysis of Witness Thress, who was tasked with estimating the impact extending service standards would have on volume. Unfortunately, because the Postal Service and Witness Thress did not specifically analyze the impacts of mail that will be affected by the change in service standards, Mr. Thress likely significantly underestimates these volume impacts.

Mr. Thress's analysis relies on the Postal Service's estimate that the service standard changes could increase expected delivery time for First-Class Mail by up to 19 percent. That estimated increase in delivery time, however, is derived by looking at the increase in service

---

<sup>42</sup> See, e.g., Response of Witness Cintron to PostCom/USPS-T1-3 (stating USPS hasn't estimated the cost impact to remittance mailers of delayed payments).

<sup>43</sup> See USPS-T-2 at 14.

<sup>44</sup> 39 U.S.C. § 3691(c)(4).

standards affecting all First-Class Mail. The Postal Service simply took an estimate of average days to delivery under current service standards for all First-Class Mail and compared that to the same figure under the new service standards. The increase from 2.5963 days to 3.0508 days was calculated as an 18.74% increase in delivery time.<sup>45</sup>

These figures, however, bear no relationship to the increase in delivery times mail that will actually experience a change in service standard will see. First, the “average days” calculation under both the existing and proposed service standards does not rely on actual or anticipated delivery times.<sup>46</sup> In both cases, the Postal Service took the daily volume of mail subject to a particular service standard, multiplied that volume by the service standard (*i.e.*, by 2 if the service standard is 2 days), summed those figures and divided them by the total daily volume of mail.<sup>47</sup> These “Average Delivery Days” have no correlation to actual experience.<sup>48</sup> As such, they can hardly be considered predictive as to how mailers will react to the actual changes in delivery times they will experience under the new standards.

Moreover, even if these figures did have some significance, they—and Mr. Thress’s further analysis—obscure the impact of the changes on affected mail by grouping affected mail with mail that will experience no change in service standards. As Witness Monteith acknowledged, the Postal Service did not attempt to determine the increase in average days to delivery only for mail that would experience a change in service standards, and it did not provide Mr. Thress with the anticipated days to delivery that the 39% of First-Class Mail that will see a

---

<sup>45</sup> See LR-N2021-1-90.

<sup>46</sup> See LR-N2021-1-90; *see also* Response of Witness Monteith to POIR No. 1, Question 29.b.

<sup>47</sup> See LR-N2021-1-90.

<sup>48</sup> By way of illustration, the average delivery days under current standards as calculated in LR-N2021-1-90 are 2.5693 days, while Mr. Thress’s analysis of actual delivery times indicates that average days to delivery never exceeded 2.5 days for any category of First-Class Mail between FY 2009 Q3 and FY 2020 Q3. *See* Library Reference LR-N2021-1-5 (tab “Data” in worksheet “Thress”); *see also* Response of Witness Thress to PostCom/USPS-T5-4.

reduction in service standards will experience.<sup>49</sup> Mr. Monteith further confirmed that the Postal Service does not expect average days to delivery to change at all for mail that will not see a reduction in service standards.<sup>50</sup>

For the affected mail, however, the increase in delivery time will be much more than 19%. Equating, as the Postal Service does in this calculation, average delivery days with the service standard, mail that changes from a 2-day service standard to a 3-day service standard will see a 50% increase in delivery times. Mail that moves from a 3-day standard to a 4-day standard will see a 33% increase in delivery time, and mail that moves from 3-day to 5-day will see a 66% increase.

Mr. Thress's analysis, however, relies solely on the 19% figure and applies it against all mail in the affected category.<sup>51</sup> Mr. Thress did not attempt to model the financial impact of the changes only on those pieces that will be subject to the change in service standards.<sup>52</sup> If Mr. Thress had used the 33%, 50%, or 66% figures in his equations, he likely would have produced significantly greater volume and revenue impacts.<sup>53</sup>

As discussed above, mailers in certain geographic areas will likely experience greater-than-average declines in service. The Postal Service has not modeled whether mail originating in or destinating to these regions will experience greater volume impacts than average as well.

---

<sup>49</sup> Response of Witness Monteith to PostCom/USPS-T5-2.

<sup>50</sup> Response of Witness Monteith to PostCom/USPS-T5-3.

<sup>51</sup> See Response of Witness Thress to PostCom/USPS-T5-2.

<sup>52</sup> See Response of Witness Monteith to PostCom/USPS-T5-2(b).

<sup>53</sup> Note that simply increasing the expected change in average delivery days by one percentage point, from 18% to 19%, increased the expected First-Class Mail volume decline by 25.2 million pieces, or 5%. See Response of Witness Monteith to POIR No. 3, Question 28.c. In turn, this increase would cause the revenue impact for FCM to increase by \$12.2 million, and the contribution impact would increase by \$5.3 million. *Id.* If these trends hold when average delivery days increase by 33%, 50%, or 66%, massive impacts to volume, revenue, and contribution would be expected.

As a result of these deficiencies in analysis, the Commission should not take the Postal Service's predictions of volume and contribution impacts at face value.

## **II. GOOD POSTAL POLICY COUNSELS AGAINST IMPLEMENTING THE CHANGES**

### **A. Rate and service regulation are intertwined**

The new density rate authority authorized by the Commission in RM2017-3 directly rewards the Postal Service with additional rate authority if it does anything that results in reduced mail volume. Mere months after the Commission authorized this authority, the Postal Service is planning service changes that the Postal Service acknowledges will reduce mail volume. Customers of the Postal Service will not only be punished with reduced service performance, that punishment will be compounded by additional rate authority. Despite developing these service standard changes and the rate changes in R2021-2 at the same time, the Postal Service did not perform any analysis of how the combination of these two changes would affect future volume and revenue.<sup>54</sup>

As the Postal Service's recent filing in R2021-2 indicates, the current management of the Postal Service will exercise any and all rate authority at its disposal, regardless of the likely volume impacts. The Commission's Order 5763 anticipates evaluation of the current ratemaking system in five years. There is now empirical evidence that the new regulations have incentivized destructive service and price changes. Rather than wait until 2025, by which time the Postal Service may have permanently harmed the nation's mail system, the Commission should commence a review of its system of regulations as quickly as possible.

---

<sup>54</sup> See Tr. 125:10-16 (Witness Monteith responding to Commissioner Acton).

## **B. The Postal Service's Proposal Avoids Accountability**

In the end, the Postal Service's proposal appears to be an attempt to avoid making the changes necessary to improve service performance, using the temporary impacts of the pandemic as a justification for radical changes in a post-pandemic world. Rather than attempt to rectify long-standing problems, the Postal Service instead plans to provide service of demonstrably lower quality.

The Postal Service admits that “[i]t is possible changes could be made to improve capability of achieving current service standards,” but it claims these changes “would likely come with increased investment and operating costs.”<sup>55</sup> That may be so, but those investments could also provide mail users with the service they deserve and expect and maybe even help stem volume declines in the process. The Postal Service reports a cash balance of \$18.8 billion as of March 31, 2021.<sup>56</sup> Surely some of that cash could be reinvested into the business to improve service performance.

Even if the Postal Service had done the necessary analysis to support its net cost savings estimates in this docket, the Commission would still be right to be skeptical of any claimed costs savings. As Witness Cintron acknowledges, the Postal Service did not study the impact of eliminating the overnight service standard for inter-SCF First-Class Mail, as directed by the Advisory Opinion in Docket No. N2012-1.<sup>57</sup> And cost savings estimates in prior proceedings have turned out to be wildly inaccurate.<sup>58</sup> The Commission should carefully scrutinize similar claims in this proceeding and monitor service performance and actual cost savings in the future.

---

<sup>55</sup> Response of Witness Cintron to MH/USPS-T1-18.

<sup>56</sup> United States Postal Service From 10-Q at 4, available at <https://about.usps.com/what/financials/financial-conditions-results-reports/fy2021-q2.pdf>.

<sup>57</sup> See Response of Witness Cintron to NPPC/USPS-T5-4.

<sup>58</sup> See Tr. 452:9-453:3 (closing statement of Chairman Kubayanda).



Finally, the Postal Service “shall be operated as a basic and fundamental service provided to the people by the Government of the United States,” and it “shall provide prompt, reliable, and efficient services to patrons in all areas and shall render postal services to all communities.”<sup>59</sup> It is not a profit-seeking business. It must “give the highest consideration to the requirement for the most expeditious collection, transportation, and delivery of important letter mail” in making all policy decisions. The Commission’s advisory opinion role exists to enforce these mandates and ensure the Postal Service does not seek short-term cost fixes at the expense of providing the service required by the public. Accordingly, the Commission should strongly recommend against the implementation of the proposed changes.

### **III. CONCLUSION**

The Postal Service has not justified its proposed change in service standards. While it argues that “all mail will benefit from improved reliability and predictability” as a result of its planned changes to transportation,<sup>60</sup> that claim is false and directly contradicted by the Postal Service’s own analysis. The only apparent benefit from the Postal Service’s proposal is that it would allow the Postal Service a more favorable benchmark against which to measure its performance. While the Commission may not have the authority to prevent the Postal Service from intentionally harming its customers, it should advise against the Postal Service’s proposal in this proceeding and immediately reconsider the rate regulations that will reward the Postal Service for inflicting that harm.

---

<sup>59</sup> 39 U.S.C. § 101(a).

<sup>60</sup> USPS-T-1 at 31.

Respectfully submitted,

*/s/ Matthew D. Field*

Matthew D. Field  
Ian D. Volner  
Venable LLP  
600 Massachusetts Ave, N.W.  
Washington, DC 20001  
(202) 344-8281  
[mfield@venable.com](mailto:mfield@venable.com)  
[idvolner@venable.com](mailto:idvolner@venable.com)

Counsel to Association for Postal Commerce